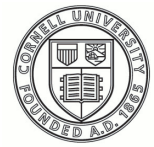

2008

Semi-Annual Report to Congress for the Period of October 1, 2007 to March 31, 2008

Office of the Inspector General

Semi-Annual Report to Congress for the Period of October 1, 2007 to March 31, 2008

Abstract

[Excerpt] I am pleased to submit this Semiannual Report to Congress, which highlights the most significant activities and accomplishments of the Department of Labor (DOL), Office of Inspector General (OIG), for the six-month period ending March 31, 2008. During this reporting period, our investigative work led to 406 indictments, 253 convictions, and $32 million in monetary accomplishments. In addition, we issued 41 audits and other reports and questioned $181.4 million in costs.

OIG audits continue to disclose a pattern of weakness in the Mine Safety and Health Administration's (MSHA's) oversight in DOL's programs to ensure miner safety. For example, we found that MSHA failed to conduct all required safety inspections at 107 underground coal mines where approximately 7,500 miners worked. Furthermore, an OIG audit of MSHA's review and approval of the roof control plan at Utah's Crandall Canyon Mine found that MSHA did not have a rigorous, transparent review and approval process for roof control plans and could not show that its process was free from undue influence by the mine operator.

We also identified problems in the Department's grant management. An OIG audit found that DOL non-competitively awarded 133 high growth job training grants, totaling $235 million. The Department could not demonstrate that it followed proper procedures in awarding 35, or 90 percent, of the high growth grants we reviewed, totaling $57 million. An OIG audit of a $32.5 million earmark grant to provide employment services overstated the number of participants in the program and could not demonstrate that participants received employment services funded by the grant. We questioned more than $11 million in inappropriate costs charged to that grant.

Our investigations continue to combat labor racketeering involving the monies in union-sponsored benefit plans, internal union affairs, and labor-management relations. A major OIG organized crime investigation led to the high-profile indictments of 62 members and associates of the Gambino Organized Crime Family on charges that included racketeering conspiracy, theft of union benefits, loan sharking, and murder conspiracy. Both construction industry and union officials were among those charged for crimes spanning more than three decades.

We continue to investigate instances of corruption in which officers of labor organizations embezzle money from union and member benefit plan accounts and defraud members of their right to honest services. An OIG investigation led to the guilty plea of a former New York State assemblyman who also served as a high-ranking union official. The defendant admitted to 21 specific acts of racketeering and pleaded guilty to Racketeer Influenced and Corrupt Organizations Act (RICO) forfeiture.

OIG investigations revealed that the foreign labor certification process continues to be compromised by unscrupulous attorneys, labor brokers, employers, and others. In one case, four conspirators who operated a labor leasing company were sentenced to jail and a $1 million judgment for their roles in providing fraudulent documentation that enabled more than 200 foreign nationals to illegally enter the United States. We will continue to work with the Department to safeguard the integrity of the foreign labor certification process.

The OIG remains committed to promoting the economy, integrity, effectiveness, and efficiency of DOL. I would like to express my sincere gratitude to a professional and dedicated OIG staff for its significant achievements during this reporting period.

Semiannual Report to Congress

Office of Inspector General - U.S. Department of Labor

Volume 59

October 1, 2007–March 31, 2008

A MESSAGE FROM THE INSPECTOR GENERAL

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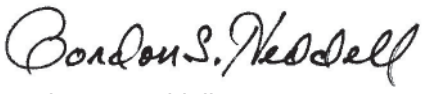

Gordon S. Heddell
Inspector General

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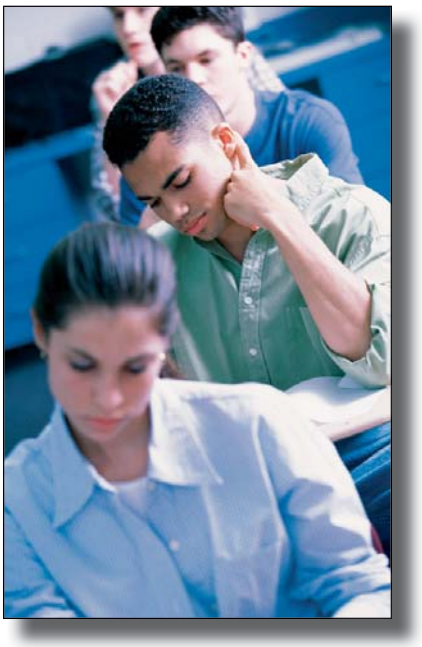


Employment & Training Programs

Worker Benefits Programs

Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action[1]	$32 million
Investigative cases opened	222
Investigative cases closed	224
Investigative cases referred for prosecution	147
Investigative cases referred for administrative/civil action	94
Indictments	406
Convictions	253
Debarments	13
Audit and other reports issued	39
Total questioned costs	$133.9 million
Other monetary impact	$34.0 million
Outstanding questioned costs resolved during this period	$22.4 million
Allowed[2]	$15.8 million
Disallowed[3]	$6.6 million

1 This dollar amount does not include $23.5 million from a payment to the U.S. Government as part of a $458 million global settlement of criminal and civil liabilities involving the Central Artery/Tunnel Project in Boston known as the "Big Dig." A portion of the $23.5 million payment resulted from the project management consultant's failure to ensure that bills it received from contractors were accurate. This lack of oversight caused contractors to be overpaid. Although the OIG is not claiming this as a statistical accomplishment, the OIG's work supported the resulting settlement agreement and made significant contributions to this multiagency task force investigation.

2 Allowed means a questioned cost that the DOL has not sustained.

3 Disallowed means a questioned cost that the DOL has sustained or has agreed should not be charged to the government.

Significant Concerns

The OIG provides information and assistance to the Department and Congress in achieving efficient and effective management of DOL programs. As part of our effort to focus attention on mission-critical management problems and their resolution, the OIG has identified the following areas of significant concern.

Protecting Worker Safety and Health

New Department Position on the OIG's Labor Racketeering Authority

Securing Information Technology Systems

Continuing Impact of Labor Racketeering

Maintaining the Integrity of Foreign Labor Certification Programs

Improving Procurement Integrity

Ensuring the Effectiveness of the Job Corps Program

Inaccuracies Remain Unaddressed in DOL Employees' Thrift Savings Plan (TSP) Accounts

Protecting Worker Safety and Health

MSHA's ability to protect the health and safety of the more than 300,000 men and women working in our nation's coal mines is a continuing concern. Our work has consistently revealed a pattern of MSHA's weak oversight, inadequate policies, and lack of accountability.

Recently, we conducted audits of MSHA's process for determining whether fatalities are mining related, MSHA's statutory mandate to inspect underground coal mines, and the process MSHA used to approve the roof control plan at Utah's Crandall Canyon Mine. Each of these audits disclosed significant shortcomings that could threaten miners' safety.

Our audit of how MSHA determines whether a fatality is mining related found several weaknesses due to inadequate policies. Specifically, investigators and decision makers lacked independence, investigative procedures were inconsistent, and investigative documentation was sometimes incomplete. It is important for MSHA to make reliable and well-documented chargeability decisions, so it can learn the causes of mining accidents and use this information to help prevent future accidents.

Our report on MSHA inspections revealed that MSHA did not complete 147 required safety inspections at 107 underground coal mines where approximately 7,500 miners worked.

When inspections did occur, MSHA could not ensure that critical inspection activities, such as review of roof control plans and testing for oxygen levels, were completed.

Failure to conduct required safety inspections and to ensure that critical safety elements are reviewed places miners at risk because dangerous conditions may not be discovered and corrected. Similarly, our audit of MSHA's process for approving the roof control plan for Utah's Crandall Canyon Mine disclosed that MSHA was negligent in its review, approval, and oversight of the roof control plan and related amendments.

As a result, miners' safety could have been imperiled. We concluded that despite the fact that retreat mining, a high-risk mining technique, was being used at Crandall Canyon, MSHA failed to do everything necessary to be certain that the plan it approved would effectively protect miners.

Also, MSHA could not show that its process was free from undue influence by the mine operator.

As a regulatory agency, MSHA must be able to show that its decisions are not influenced by those it regulates and that its decisions are sound and based on rigorous, established, and documented processes and criteria.

New Departmental Position on OIG's Labor Racketeering Authority

The Inspector General Act of 1978 transferred responsibility for labor racketeering and organized crime investigations from the Department to the newly created OIG, establishing the OIG's exclusive authority to conduct these investigations. The legislative history of this transfer is clear that Congress intended to ensure that labor racketeering investigations were conducted by an independent office, free from both political and bureaucratic pressures.

Recently, however, the Department has asserted that the OIG does not have exclusive authority in this area, and the Office of the Solicitor has distributed a legal opinion in this regard. The OIG believes that the analysis found in this opinion is flawed, because the Office of the Solicitor incorrectly states that the OIG's labor racketeering authority is derived from a delegation from the Secretary. In fact, this authority is derived from section 9(a)(1)(J) of the Inspector General Act of 1978, which provides for a legislative transfer of authorities previously held by the Department.

The OIG believes that the Department's position both undermines congressional intent and may interfere with OIG investigations. During the 1970s, Department of Justice officials testified that the Department's level of effort and support for cases which involved labor racketeering and organized crime in the labor-management arena was not suffcient. In response, then-Secretary of Labor Ray Marshall established an "Office of Special Investigations" (OSI) in early 1978 which would, according to Congressional testimony by Secretary Marshall, "[R]eport directly to me....[and] have an independent staff and .... full authority to pursue [his] investigations free from political or bureaucratic pressures."

In late 1978, all of OSI's authority and responsibilities were statutorily transferred to the newly established Office of Inspector General, and Congress was clearly aware that the transfer of these responsibilities included the Department's labor racketeering and organized crime investigative function. Although Congress was aware that Secretary Marshall had established an office (OSI) which would be "free from political and bureaucratic pressures," the head of this office would still be reporting to the Secretary himself. Congress, by transferrring this function to the OIG, an "independent and objective unit," ensured that these investigations would be completely free from such pressures. As stated in the Inspector General Act, "Neither the head of the establishment nor the officer next in rank below such head shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation."

For almost 30 years, the OIG has implemented an independent labor racketeering program, as intended by Congress. Unless the OIG's authority in this area remains exclusive, this independence will be compromised, OIG investigations may be subject to interference by the Department, and the clear congressional intent of the transfer of OSI's labor racketeering function will be undercut.

A recent case demonstrates the importance of the OIG's labor racketeering and organized crime investigative program. In the largest indictment of organized crime members in nearly 30 years, 62 members and associates of the Gambino Organized Crime Family were indicted on a number of charges, including racketeering conspiracy, extortion, theft of union benefits, loan sharking, embezzlement of union funds, money laundering, and murder conspiracy. The indictments reflected the Gambino family's control and influence over the construction industry in and around New York City.

The Department should continue to recognize the OIG's exclusive labor racketeering authority as it has for the past three decades.

"Congress intended to ensure that labor racketeering investigations were conducted by an independent office, free from both political and bureaucratic pressures."

Securing Information Technology Systems

It is essential for the Department to ensure its information systems are secure. It is a continuing concern that DOL maintain its ability to keep up with new threats and IT developments; to provide assurances that IT systems function reliably; and to safeguard information assets.

For several years, the OIG has reported weaknesses in the Deoartment's security over who has access to the information in its systems that contain financial and other sensitive information. During the FY 2007's financial statement audit, we reported that the Department had not addressed 51 previous agency-specific recommendations to improve access controls. In addition, we made more than 100 new recommendations related to access controls.

Continuing Impact of Labor Racketeering

Labor racketeering continues to have an impact on American workers, employers, and the public through reduced wages and benefits, diminished competitive business opportunities, and increased costs for goods and services. The OIG is recognized nationally as a primary authority and resource on labor racketeering and related organized crime matters.

Protecting workers' health, retirement, and welfare benefit plans from fraud is a major focus of our investigative work. We continue to pursue corrupt plan officials and to combat the influence of organized crime against these assets.

In a major organized crime case, 62 members and associates of the Gambino Organized Crime Family were indicted in February 2008 on charges including racketeering conspiracy, embezzlement of union funds, money laundering, and murder conspiracy.

This case revealed the strong hold that organized crime had over all levels of the construction industry in New York City and beyond, from small, private projects to large-scale public works contracts. Many of these construction companies allegedly paid a "mob tax" in return for protection and permission to operate.

Through their alleged control of these companies, the Gambino Organized Crime Family caused the theft of union dues and of health and pension funds, directly impacting the welfare and future of many workers.

We will continue to work with our law-enforcement partners and U.S. attorneys to combat labor racketeering to safeguard workers and their benefits.

Maintaining the Integrity of Foreign Labor Certification Programs

The integrity of the Department's foreign labor certification programs is a major concern, as OIG investigations continue to uncover fraud against these programs. Our investigations involving immigration consultants and attorneys, employers, and applications have resulted in significant convictions, prison sentences, restitutions, and forfeitures. For example, our investigation of four conspirators who prepared and submitted fraudulent applications for H-2B temporary foreign workers resulted in prison sentences of up to 41 months and a $1 million judgment.

These defendants also took advantage of the devastation caused by Hurricane Katrina by fraudulently obtaining certification from the Department for nearly 250 H-2B temporary foreign workers, purportedly on behalf of four New Orleans hotels. We will continue to aggressively pursue those who seek to defraud the Department's foreign labor certification programs.

In another case, the owner of a construction company pled guilty and was ordered to forfeit $250,000 for his role in a conspiracy with his brothers to submit fraudulent labor certification applications to DOL in an effort to obtain green cards for foreign nationals. They charged the foreign nationals more than $27,000 for each card.

The OIG continues to recommend that the Department consider, in conjunction with the U.S. Citizenship and Immigration Service (USCIS), a legislative proposal to require foreign nationals to have their eligibility determined by USCIS before DOL reviews the employer's labor certification application.

Improving Procurement Integrity

As discussed in previous semiannual reports, the Department has yet to appoint a Chief Acquisition Officer, whose primary duty is acquisition management, as required by the Services Acquisition Reform Act. Our previous audits have raised concerns about preferential treatment in awards, procurement actions that were not in the government's best interest, and conflicts of interest in awards.

In addition, our recent audit of High Growth Job Training Initiative grants raised significant concerns about the Department's practices in regard to its grant making activities. The Employment and Training Administration (ETA) awarded 157 high growth grants, totaling $271 million, between July 1, 2001, and March 31, 2007. Of this amount, ETA non-competitively awarded 133 grants totaling $237 million. We found that ETA could not demonstrate that it followed proper procedures when it awarded 35 high-growth grants totaling $57 million.

Furthermore, ETA could not adequately justify why it awarded these grants without competition, and it did not consistently document its review of unsolicited grant proposals. As a result, ETA may not have made the best decisions to achieve the goals for these job-training grants. The OIG has recommended that ETA ensure that competition is encouraged for discretionary grant awards and that award decisions are documented adequately.

Ensuring the Effectiveness of the Job Corps Program

OIG audits continue to raise significant concerns about Job Corps's ability to report accurate and reliable financial and performance data. For example, over the past few years, we have identified shortcomings in the reporting of on-board strength and attendance at a number of centers, areas where we have consistently noted problems.

An audit of the Tulsa Job Corps Center substantiated a hotline allegation that the center inappropriately inflated on-board strength. It is essential for Job Corps to have reliable, accurate, and timely data so that the Department can evaluate how well contractors are providing services. The OIG has recommended that Job Corps improve its monitoring and oversight to improve performance and financial accountability of contractors.

Inaccuracies Remain Unaddressed in DOL Employees' TSP Accounts

In December 2006, DOL informed its agencies that thousands of DOL employees' TSP account balances were incorrect. Specifically, employees did not receive agency matching contributions, or they received contributions to which they were not entitled. In addition, DOL indicated that TSP data in the payroll system was inaccurate for a significant number of employees. The OIG is concerned that the Department, along with its payroll provider, USDA's National Finance Center, have not completed the resolution of these serious inaccuracies that potentially impact DOL employee retirement calculations. If the Department does not complete the corrections of employees' TSP account and TSP data element errors, before DOL's planned migration to a new payroll service provider next year, an already complex problem will be exacerbated.

LABOR RACKETEERING

The OIG at the DOL has a unique programmatic responsibility to investigate labor racketeering and/or organized crime influence against unions, employee benefit plans, and workers. The Inspector General Act of 1978 transferred responsibility for labor racketeering and organized crime–related investigations from the Department to the OIG. In doing so, Congress recognized the need to place the labor racketeering investigative function in an independent law enforcement office free from political interference and competing priorities. Since the 1978 passage of the Inspector General Act, OIG Special Agents, working in association with the Department of Justice's Organized Crime and Racketeering Section, have been performing criminal investigations to combat labor racketeering in all its forms.

Traditional Organized Crime: Over the past two decades, the OIG has conducted extensive criminal investigations of labor racketeering. Traditionally, organized crime groups have been involved in benefit plan fraud, violence against union members, embezzlement, and extortion. Our investigations continue to identify complex financial and investment schemes used to defraud benefit fund assets, resulting in millions of dollars in losses to plan participants. The schemes include embezzlement or other sophisticated methods, such as fraudulent loans or excessive fees paid to corrupt union and benefit plan service providers.

OIG investigations have demonstrated that abuses by service providers are particularly egregious due to their potential for large dollar losses and because they often affect several plans at the same time. As of March 31, 2008, the OIG's inventory of more than 190 benefit plan cases included 45 service provider investigations that had more than $1 billion in plan assets potentially at risk. The OIG is committed to safeguarding American workers against being victimized by labor racketeering and/or organized crime.

Nontraditional Organized Crime: Our current investigations are documenting an evolution of labor racketeering and/or organized crime corruption. We are finding that nontraditional organized criminal groups are engaging in racketeering and other crimes against workers in both union and nonunion environments. Moreover, they are exploiting DOL's foreign labor certification and Unemployment Insurance (UI) programs.

Impact of Labor Racketeering: Labor racketeering activities carried out by organized crime groups affect the general public in many ways. Because organized crime's exercise of market power is usually concealed from public view, millions of consumers unknowingly pay what amounts to a tax or surcharge on a wide range of goods and services. In addition, by controlling a key union local, an organized crime group can control the pricing in an entire industry.

The following cases are illustrative of our work in helping to eradicate both traditional and nontraditional labor racketeering in the nation's labor unions, employee benefit plans, and workplaces.

INTERNAL UNION INVESTIGATIONS

Our internal union cases involve instances of corruption, including officers who abuse their positions of authority in labor organizations to embezzle money from union and member benefit plan accounts and defraud members of their right to honest services. Investigations in this area also focus on situations in which organized crime groups control or influence a labor organization, frequently to influence an industry for corrupt purposes or to operate traditional vice schemes. Following are examples of our work in this area.

Former New York State Assemblyman Pleads Guilty to Racketeering

Brian McLaughlin, a former New York State assemblyman, business manager of the J Division of Local Union No. 3 of the International Brotherhood of Electrical Workers, and president of the New York City Central Labor Council (CLC), pled guilty on March 7, 2008, to violation of the RICO Act. McLaughlin admitted to committing 21 specific offenses and to a forfeiture allegation contained in the indictment.

McLaughlin admitted to orchestrating a series of schemes and directing the actions of others to facilitate his thefts from organizations such as the CLC, the Electchester Athletic Association, the New York State Assembly, and the William Jefferson Clinton Democratic Club.

McLaughlin admitted to making false statements in connection with a mortgage application submitted to a federally insured financial institution, committing numerous violations of the Taft-Hartley Act, and using mail and wire fraud schemes to deprive the J Division of Local 3 and its union members of their rights to his honest services as a union official.

The NYC CLC is a chartered affiliate of the American Federation of Labor and Congress of Industrial Organizations.

As a former New York State assemblyman, McLaughlin represented the 25th Assembly District in Queens, New York.

This is a joint investigation with the Federal Bureau of Investigation (FBI) and the New York City Department of Investigation. *United States* v. *Brian M. McLaughlin* (S.D. New York).

"McLaughlin admitted to orchestrating a series of schemes and directing the actions of others to facilitate his thefts from organizations..."

Former Local Union President Pleads Guilty to Three Racketeering Acts

Salvatore "Hot Dogs" Battaglia, a member of the Genovese La Cosa Nostra (LCN) Family and the former president of Local 1181 of the Amalgamated Transit Union, pled guilty on January 18, 2008, to RICO charges. Specifically, he pled guilty to three racketeering acts of extortion and unlawful receipt of labor payments from three major bus company owners servicing New York City schools. Using both his position as president of Local 1181 (a union that represents approximately 15,000 school bus drivers and school bus escorts in New York City) and his status as a member in the LCN Family, Battaglia influenced several areas within his purview in exchange for tens of thousands of dollars in illegal payments.

Battaglia received money from bus companies that contracted with the New York City Department of Education in exchange for not organizing the companies. Battaglia demanded and received per capita cash payments from the owners and operators of a medical center in exchange for Local 1181's agreement to increase per capita reimbursements for services provided to union members by the medical center and for Local 1181's agreement to pay for those services. Battaglia's plea agreement includes a forfeiture allegation of $1 million. He faces 57–71 months' imprisonment. This is an ongoing investigation with the FBI and Office of Labor Management Standards (OLMS). *United States* v. *Ianniello et al.* (S.D. New York).

Plumbers Local 1 Member Sentenced for Making Threats to Kill and Injure

Joseph Totaro, a member of Plumbers Local 1, was sentenced on January 30, 2008, to 27 months of incarceration, including 21 months of time served followed by 3 years of supervised release, and enrollment in a substance abuse program. Totaro created and managed a Web site on which he displayed statements, hostile images, and threats that he would kill the business manager if that person were to win the Local 1 union election and remain business manager. *United States* v. *Joseph Totaro* (S.D. New York).

Texas Bookkeeper Allegedly Embezzles $140,000 from Teamsters Local 19

The former bookkeeper and executive assistant to the former president of International Brotherhood of Teamsters Local Union 19 in Houston was indicted on October 27, 2007, for allegedly embezzling $140,000 from Local 19. She allegedly used her position to write several checks payable to herself, which she subsequently deposited into a personal bank account. The defendant allegedly falsified union journals, invoices, and vouchers to cover up the embezzlement. The scheme was perpetrated between 2003 and 2006. This is a joint investigation with the OLMS.

BENEFIT PLAN INVESTIGATIONS

The OIG is responsible for combating corruption involving the monies in union-sponsored benefit plans. Those pension plans and health and welfare benefit plans comprise hundreds of billions of dollars in assets. Our investigations have shown that the assets remain vulnerable to corrupt union officials and organized crime influence. Benefit plan service providers continue to be a strong focus of OIG investigations.

Sweeping Indictments Against Gambino Organized Crime Family, Union, Company Officials

Sixty-two members and associates of the Gambino LCN Organized Crime Family—including its acting boss, acting underboss, and consigliere—were indicted on February 6, 2008, on charges including racketeering conspiracy, extortion, theft of union benefits, mail fraud, false statements, loan sharking, embezzlement of union funds, money laundering, illegal gambling, and murder conspiracy.

Both construction industry principals and union officials were among those charged for crimes spanning more than three decades. Many of these construction companies allegedly paid a "mob tax" in return for protection and permission to operate. The indictments illustrate the Gambino family's control and influence over the construction industry in and around New York City.

Twenty-five of the defendants, all members and associates of the Gambino family, are charged with racketeering conspiracy, which includes predicate acts involving murder, attempted murder, murder conspiracy, felony murder, robbery, extortion, conspiracy to distribute cocaine and marijuana, securities fraud, mail fraud, loan sharking, theft of union benefits, illegal gambling, and bribery.

The evidence related to many of the charged crimes consists of hundreds of hours of recorded conversations secured by a cooperating witness who infiltrated the Gambino family over a three-year period. This investigation also identified corruption within Locals 731 and 725 of the Laborers International Union of North America (LIUNA).

The Gambino family allegedly profited from extortion-related rackets at construction sites involving trucking contracts, which they controlled, and theft of union benefits from the International Brotherhood of Teamsters Local Union 282.

This is an ongoing investigation with the New York State Organized Crime Task Force (NYS-OCTF), FBI, U.S. Department of Transportation (DOT), Internal Revenue Service (IRS), New York City Department of Investigation, New York City Business Integrity Commission, and the Metropolitan Transportation Authority.

"Both construction industry principals and union officials were among those charged for crimes spanning more than three decades. Many of these construction companies allegedly paid a "mob tax" in return for protection and permission to operate."

Company Owner Sentenced for Embezzling Funds from 401(k) Plan's Trust Fund

William B. Wofford, owner of Premier Consulting Inc., was sentenced on January 22, 2008, to 51 months of incarceration, 3 years of supervised release, and restitution of $277,937 following his conviction for embezzling funds from an employee pension plan. Wofford had established Premier Employer's Group 401(k) Plan in 1995. In 2002, the plan's trust fund came under Wofford's direct control, and he was listed as the sole signatory of the account. He used the money from this trust fund to pay himself and to purchase and pay expenses for several of his failed businesses. Between 2002 and 2004, Wofford made improper withdrawals from the trust fund. He often directed his bookkeeper to create false loan documents to convert the trust fund money for uses other than for the benefit of the participants and beneficiaries. Wofford disguised withdrawals as payments to his bookkeeper for administrative fees. This was a joint investigation with the Employee Benefits Security Administration (EBSA). *United States* v. *Wofford* (N.D. Texas).

Individuals Plead Guilty to Union-Related Crimes

Isaac Barocas, the former president of the International Union of Production, Clerical, and Public Employees Local 911 and the former scholarship director of the LIUNA Local 734 Welfare and Educational Fund, pled guilty on December 14, 2007, to concealing a felony and assault.

Among other crimes, Barocas admitted that he attempted to run down an EBSA investigator with his car in 2005 while the investigator was assisting DOL-OIG agents in the service of a grand jury subpoena. Barocas is a business associate of Genovese LCN soldier, August "Augie" Vergallito. Between 1999 and 2006, Augie Vergallito exercised control over the affairs of Local 911.

Augie Vergallito, the former business manager of LIUNA Local 734, and his wife, Rhoda Vergallito, the former LIUNA Local 734 confidential officer, pled guilty on February 5, 2008, for their roles in a conspiracy to embezzle approximately $100,000 from Local 911.

The money was embezzled through salary payments to Rhoda Vergallito for her no-show position as Local 911 office manager. Vergallito's daughter, Kim Vergallito, former Local 911 vice president, secretary treasurer, and executive board member, pled guilty on February 5, 2008, to perjury charges for providing the name of a fictitious Local 911 president in response to questions about the officers of the local.

Kim's ex husband, Bernard Dwyer, the former scholarship director of the Local 734 Welfare and Educational Fund, pled guilty on January 15, 2008, for his role in a conspiracy to embezzle in excess of $65,000 from the fund between 2003 and 2004.

Charles Purcel, LIUNA Local 734 and Local 911 accountant and bookkeeper, pled guilty on February 27, 2008, to knowingly and intentionally creating false documents that his attorney forwarded to the U.S. Attorney's Office before the start of Purcel's Federal trial on conspiracy and false statement charges.

The false documents contained numerous representations that could have persuaded a jury to acquit Purcel, or at least minimize his culpability, with respect to the criminal charges pending against him. This is a joint investigation with EBSA. *United States* v. *August Vergallito et al*. (D-New Jersey).

Fund Administrator, Fund Trustee Sentenced for Embezzling more than $155,000

Gadwiga Grace, the former fund administrator for the Printing Industry Local 23 (Local 23) Fringe Benefit Fund, and Manuel Moscoso, a fund trustee, were sentenced on December 14, 2007, for embezzling more than $155,000 from a fund bank account. Grace was sentenced to nine months' imprisonment and ordered to pay $70,000 in forfeiture. Moscoso was sentenced to one year and one day imprisonment and ordered to pay $80,000 in forfeiture. The embezzled account was largely funded by deductions from Local 23 members' salaries. Grace and Moscoso used the stolen funds to pay for personal credit card bills, electronic supplies, guns, and other non-union-related expenses. This is a joint investigation with EBSA. *United States* v. *Moscoso et al.* (S.D. New York).

LABOR-MANAGEMENT INVESTIGATIONS

Labor-management relations cases involve corrupt relationships between management and union officials. Typical labor-management cases range from collusion between representatives of management and corrupt union officials to the use of the threat of "labor problems" to extort money or benefits from employers.

Genovese Crime Family Soldier Sentenced for Defrauding NYC District Council of Carpenters

James Delio, a Genovese Crime Family soldier and a construction company owner, was sentenced on February 8, 2008, for conspiring to defraud the New York City District Council of Carpenters (DCC) of the United Brotherhood of Carpenters and Joiners of America (Carpenters' Union). He was sentenced to 33 months' incarceration, followed by 3 years of supervised release. Delio was ordered to pay $1,871,550 in restitution, of which $1 million will go to the Carpenters' Union and $871,550 will go to the IRS. As part of his plea, Delio agreed to forfeit $1.5 million, jointly and severally, with co-defendants, Joseph Delio and Fred Nisall. The investigation centered on the Genovese Organized Crime Family's control of the drywall industry in and around New York City. Delio conspired to defraud the DCC and the DCC Benefit Funds by paying workers off the books, employing nonunion workers, not paying workers union-scale wages, and misrepresenting the number of workers on reports submitted to the DCC and the Funds. *United States* v. *Moscatiello et al.* (S.D. New York).

"The investigation centered on the Genovese Organized Crime Family's control of the drywall industry in and around New York City."

Drywall Company Owners Forfeit $1.5 Million to Carpenter's Union Benefit Funds

Patrick Noel McCaul and James Dermot McGonnell, the owners of Tri-Built Construction Inc. (Tri-Built), a drywall construction company in New York, pled guilty on November 20, 2007, to conspiring to defraud the District Council of New York City and Vicinity of the United Brotherhood of Carpenters and Joiners (Carpenters' Union) Benefit Funds of millions of dollars by using nonunion labor, paying union carpenters off the books, and bribing shop stewards and an employee of the benefit funds to assist in the fraud.

David Veltri, a Carpenters Union shop steward, was sentenced November 2, 2007, to 27 months' imprisonment, followed by 3 years of supervised release; an $8,000 fine; a $100 special assessment fee; and $70,000 in restitution to the benefit funds. Veltri previously pled guilty to Taft-Hartley Act violations of bribery of a union official.

Between 1993 and 2004, Tri-Built, holding itself out as a union contractor, was hired for numerous construction projects in New York City. Tri-Built was a party to a collective bargaining agreement (CBA) with the Carpenters' Union. Under this agreement, Tri-Built was obligated to use union labor and pay union wages and benefits to all carpenters employed on Tri-Built's jobsites.

McCaul and McGonnell underbid jobs with the intention of not complying with the CBA, ultimately diverting at least $6.5 million from the union benefit funds.

To avoid detection of their fraud, the defendants bribed Carpenters' Union shop stewards to submit false reports, under-reporting the true number of carpenters and hours worked on several Tri-Built jobsites, and paid a then-employee of the Benefit Funds to destroy internal union records. As part of their plea agreement, they will forfeit $1.5 million, which will be paid to the Carpenters' Union benefit funds. *United States* v. *McGaul et al.* and *United States* v. *Veltri* (S.D. New York).

Shop Steward Guilty of Embezzling more than $500,000 from Carpenters Local 157

Michael "Mickey" Annucci, a former shop steward for the United Brotherhood of Carpenters and Joiners (UBCJ) Local 157 in New York, was found guilty on February 7, 2008, of conspiracy, embezzlement from an employee benefit plan, wire fraud, and unlawful payment to a union official. While employed by L&D Installers (L&D), Annucci assisted L&D in embezzling more than $500,000 from the Benefit Funds of Local 157 on a long-term project during which he omitted 22,000 hours from his shop steward reports. Annucci held additional official positions with the Carpenters' Union, including executive delegate to the DCC representing Local 157. He was also on the DCC trial committee responsible for imposing discipline on carpenters who broke union rules.

On December 28, 2007, L&D made the final payment of the $2,084,654 owed to the Carpenters' Union Benefit Funds for unpaid benefit contributions. L&D defrauded the Benefit Funds of that final payment by utilizing a nonunion payroll and failing to make contributions into the Benefit Funds as required by the CBA. *United States* v. *Annucci et al.* (S.D. New York).

"While employed by L&D Installers (L&D), Annucci assisted L&D in embezzling more than $500,000 from the Benefit Funds of Local 157 on a long-term project during which he omitted 22,000 hours from his shop steward reports."

Several Indicted for Taking Bribes

The current business manager and a former president of Local 825 of the International Union of Operating Engineers (IUOE) were indicted on March 11, 2008, for allegedly taking cash bribes and other things of value from construction contractors to ensure labor peace and to allow the use of nonunion labor.

On March 26, 2008, the owner of a steel construction firm pled guilty, admitting that in exchange for at least $58,000 in bribes paid to an IUOE engineer, he was allowed to ignore certain provisions of the IUOE Local 825 CBA.

In addition, a former IUOE business agent pled guilty on the same day to charges of violating the Taft-Hartley Act by allowing numerous contractors throughout New Jersey to ignore the IUOE Local 825 CBA in exchange for bribes totaling between $200,000 and $400,000.

On March 18, 2008, the IUOE placed its Local 825 under emergency supervision. In addition, the IUOE headquarters suspended the business manager without pay based on his indictment.

This was a joint investigation with the FBI, IRS, and EBSA.

Worker Safety, Health & Workplace Rights

Mine Safety and Health Administration

The Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act), charges the Mine Safety and Health Administration with protecting the health and safety of more than 300,000 men and women working in our nation's mines.

In recent years, OIG audits of MSHA's programs and performance have revealed several areas in need of improvement. For example, our audit of MSHA's statutory requirement to inspect underground coal mines at least four times per year found that MSHA did not ensure that these inspections were performed. Our most recent audit found that MSHA could not show that it had made the right decision in approving the roof control plan at Utah's Crandall Canyon Mine. The OIG will continue to exercise strong oversight of MSHA's administration of its health and safety mission.

MSHA Could Not Show It Made Right Decision In Approving Roof Control Plan at Crandall Canyon Mine[4]

At the request of the Senate Health, Education, Labor, and Pensions Committee, we conducted an audit of MSHA's roof control plan approval for Crandall Canyon Mine. The request followed the tragedy that occurred at the mine on August 6, 2007, in which six miners were killed and three rescue workers were subsequently fatally injured.

Specifically, the Committee asked us to review the process MSHA District 9 used to review MSHA's process for approving the roof control plan and the plan amendment that was in effect at the time of the disaster; the rigor of MSHA's review; and information about how MSHA made the decision to allow rescuers into the mine after the initial collapse on August 6, 2007.

Our first finding was that MSHA could not demonstrate that it had made the right decision in approving the roof control plan at Crandall. Despite the critical importance of roof control to underground mining operations in general—particularly to the high-risk retreat mining being done at Crandall Canyon—MSHA could not show that it did everything appropriate to ensure that the Crandall Canyon roof control plan was sufficient to protect miners.

MSHA did not have a rigorous, transparent review and approval process for roof control plans consisting of explicit criteria and plan evaluation factors, appropriate documentation, and active oversight and supervision by headquarters and District 9 management.

In addition, we found that MSHA did not provide guidance on how to select and use criteria to evaluate roof control plans, and as a result, plan approval criteria were left to the discretion of each individual District Manager.

Moreover, MSHA Headquarters rarely reviewed District Managers' plan approval process, or the evaluation criteria the Managers used to approve plans. As a result, Districts may not have used appropriate and consistent criteria for similar circumstances, and approved plans may not have adequately protected miners.

Furthermore, MSHA did not require that District Managers document the criteria they used in assessing specific plans, and it rarely reviewed the District Managers' decisions.

MSHA's inability to show that it did everything necessary to make the appropriate decision in approving the roof control plan also prevented us from conclusively determining that MSHA's approval of the plan was free from improper influence by the mine operator, regardless of any pressure from the operator to expedite its approval process.

While we attempted to compare the review and approval process used in District 9 to the process used for mines that were not owned by Mr. Murray, MSHA's lack of documentation

"MSHA could not show that it did everything appropriate to ensure that the Crandall Canyon roof control plan was sufficient to protect miners."

[4] Retreat mining, a high-risk underground mining technique in which miners remove pillars of coal that had previously been left to support the mine roof, was being used at the Crandall Canyon Mine. This mining technique is designed to maximize the amount of coal reserves recovered from a mine. As miners remove these pillars, they "retreat" toward the mine entrance allowing the unsupported roof to collapse behind them. The process is risky due to stresses on the final pillars and the potential for unplanned cave-ins.

prevented us from making such a comparison. In our opinion, as a regulatory agency charged with protecting miner safety and health, MSHA must be able to show that its decisions are not influenced by those it regulates and that its decisions are sound, based on rigorous, established, and documented processes and criteria.

Regarding MSHA's decision-making process during the rescue operation, we found that MSHA worked with mine operator employees to develop rescue plans and exercised final approval authority over all rescue activities.

On August 8, 2007, MSHA's Assistant Secretary gave approval for a CNN camera crew to enter the mine to take photographs. However, some local MSHA personnel disagreed with the Assistant Secretary's decision.

We determined that MSHA does not have any guidelines on non-rescue activities during an active rescue operation. This lack of guidance increases the potential for MSHA to make decisions without considering all pertinent information about safety and other issues.

We concluded that MSHA was negligent in its review, approval, and oversight of the Roof Control Plan and amendments. Specifically, MSHA did not require the use of explicit criteria, consideration of potentially relevant information, a record of plan review activities, or active supervision and oversight of decisions made at the District level.

Our report contained nine recommendations to MSHA for improvement. Specifically, we recommended that MSHA:

- develop a rigorous, standard, and transparent process for evaluating and approving roof control plans;
- require risk assessments specific to the particular mining operation prior to plan approval;
- establish explicit criteria and guidance for determining safety risks of plans;
- issue policy and guidance on the use of computer models;
- issue policy mandating active oversight by District Managers by requiring documentation of how they reached their conclusions that approved plans will provide effective roof control;
- issue policy on conditions governing non-rescue activities occurring during active rescue operations;
- establish a Memorandum of Understanding with BLM to share inspection and other information on mine conditions affecting safety; and
- conduct a new review of all existing roof control plans.

MSHA concurred with all of our recommendations and stated that it has initiated or planned numerous corrective actions. (Report No. 05-08-003-06-001; issued March 31, 2008)

MSHA Failed to Perform All Required Mine Safety Inspections

The Mine Safety and Health Act of 1977 requires MSHA to perform a complete inspection of each underground coal mine four times per year to safeguard miners. Since missed or incomplete inspections can place miners at risk, it is critical that MSHA fulfill this inspection requirement.

We conducted a performance audit of MSHA's underground coal mine inspection process. The audit objectives were to determine whether MSHA was ensuring that all underground coal mines received mandatory regular inspections and whether critical inspection activities required during the inspections were completed.

We found that MSHA did not ensure that all underground coal mines received the required regular safety inspections. Specifically, MSHA did not complete one or more statutorily required inspections at 107 of the nation's 731 underground coal mines during FY 2006. It is important to note that approximately 7,500 miners were employed at the 107 mines that MSHA did not inspect as

"It is important to note that approximately 7,500 miners were employed at the 107 mines that MSHA did not inspect as required."

required. In total, 147 required inspections were not completed at the 107 mines. We concluded that MSHA failed to complete required inspections because of decreasing inspection resources during a period of increasing mining activity. The relative number of inspectors decreased by 18 percent between FY 2002 and FY 2006, while mining activity increased by 9 percent.

Furthermore, the number of inspectors in the 11 MSHA districts was not commensurate with the mining activity in the districts, and management's monitoring of inspection completions was inadequate.

We also found that inspections were missed or not completed because MSHA did not place adequate management emphasis on ensuring compliance with the statutory mandate. Missed or incomplete inspections can imperil miners' safety because hazardous mine conditions may not be identified and corrected.

In addition, we found that MSHA could not demonstrate that all critical inspection activities required for inspections were completed or that inspections were thorough, because MSHA policy did not require inspectors to document all critical inspection activities they perform. We identified a number of inspection activities for which MSHA did not require documentation, including inspection of roof conditions and ventilation facilities and testing for oxygen level deficiencies.

Furthermore, when MSHA policy did require documentation for inspection activities, supervisors did not consistently ensure that inspectors completed the documentation or that the inspection was thorough.

After the August 2007 tragedy at Utah's Crandall Canyon Mine, we added a review of inspections at that mine to our audit. We found that during FY 2006 and FY 2007, MSHA had performed the seven required inspections at the Crandall Canyon Mine. However, one inspection was found to be incomplete and three of the inspections had significant inspection and supervisory deficiencies. For example, MSHA documentation indicated that supervisory oversight for Crandall's final inspection before the August tragedy was neither adequate nor timely.

Because the inspection deficiencies we identified were caused by weaknesses in policies and procedures, it is likely that similar documentation problems existed in all 11 Coal Mine Safety and Health districts. In fact, MSHA found similar inspection and supervisory oversight problems during internal reviews of three fatal underground mining accidents at the Sago (West Virginia), Aracoma (West Virginia), and Darby (Kentucky) mines.

We made seven recommendations to MSHA. Key recommendations included ensuring that inspection resources are commensurate with mining activity; documenting all critical inspection activities as performed; and requiring Field Office supervisors to certify inspections as thorough and complete.

MSHA has initiated or planned corrective action to address all seven of our recommendations. (Report No. 05-08-001-06-001; issued November 16, 2007)

MSHA Should Improve Its Process for Determining Whether Fatalities are Mining-Related

At the request of the House Committee on Education and Labor, we conducted an audit of how MSHA determines whether a fatality is mining related, or "chargeable." It is important for MSHA to make reliable and well-documented chargeability decisions, so that it can learn the causes of mining accidents and use this information to help prevent future accidents.

Although we did not identify any instances in which MSHA's decisions were contradicted by reliable evidence or in which similar circumstances produced different decisions, our audit disclosed several weaknesses in MSHA's process. For example, we found that investigators and decision makers lacked independence, investigative procedures were not consistent, and investigative documentation was sometimes lacking.

These shortcomings increased the likelihood that such errors could occur.

We noted several issues pertaining to a lack of independence that could lead to incorrect chargeability decisions. For example, the first responder to the accident was often the same MSHA inspector who had enforcement responsibility for the mine where the accident occurred.

Since MSHA lacked standard procedures for investigating fatalities, it did not require accident investigators to gather the same information for all

fatalities; therefore, chargeability decisions could be based on incomplete or incorrect information.

We also found that MSHA sometimes based its decision about chargeability on managers' preliminary assessments—that is, if managers initially decided that a fatality was "likely to be nonchargeable," MSHA conducted only a limited, less-detailed investigation. The lack of standard procedures could result in inaccurate chargeability decisions. In addition, we found that MSHA lacked sufficient documentation to support its decisions.

We made seven recommendations to MSHA aimed at making investigations more independent and ensuring that chargeability decisions are based on complete, well-documented evidence. MSHA generally agreed with our recommendations. (Report No. 05-08-002-06-001; issued November 14, 2007)

Occupational Safety and Health Administration

The Occupational Safety and Health Administration (OSHA), authorized by the Occupational Safety and Health Act of 1970, promulgates and enforces occupational safety and health standards and provides compliance assistance to employers and employees.

OIG audits of OSHA's programs and processes have identified opportunities for strengthening OSHA's enforcement and compliance assistance activities. For example, the OIG has noted the need for improvements in OSHA's Consultation Program. In addition, over the past few years, OIG investigative work has resulted in the successful prosecution of employers who have willfully failed to provide adequate safety and protection to their employees, particularly in the construction industry.

Two Men Indicted for Extortion by Threats to File Safety Complaints

Two individuals who formerly represented the Committee on Contract Compliance, an organization that the men used to extort money from building contractors throughout New York City, were indicted on February 26, 2008, on charges of racketeering and extortion.

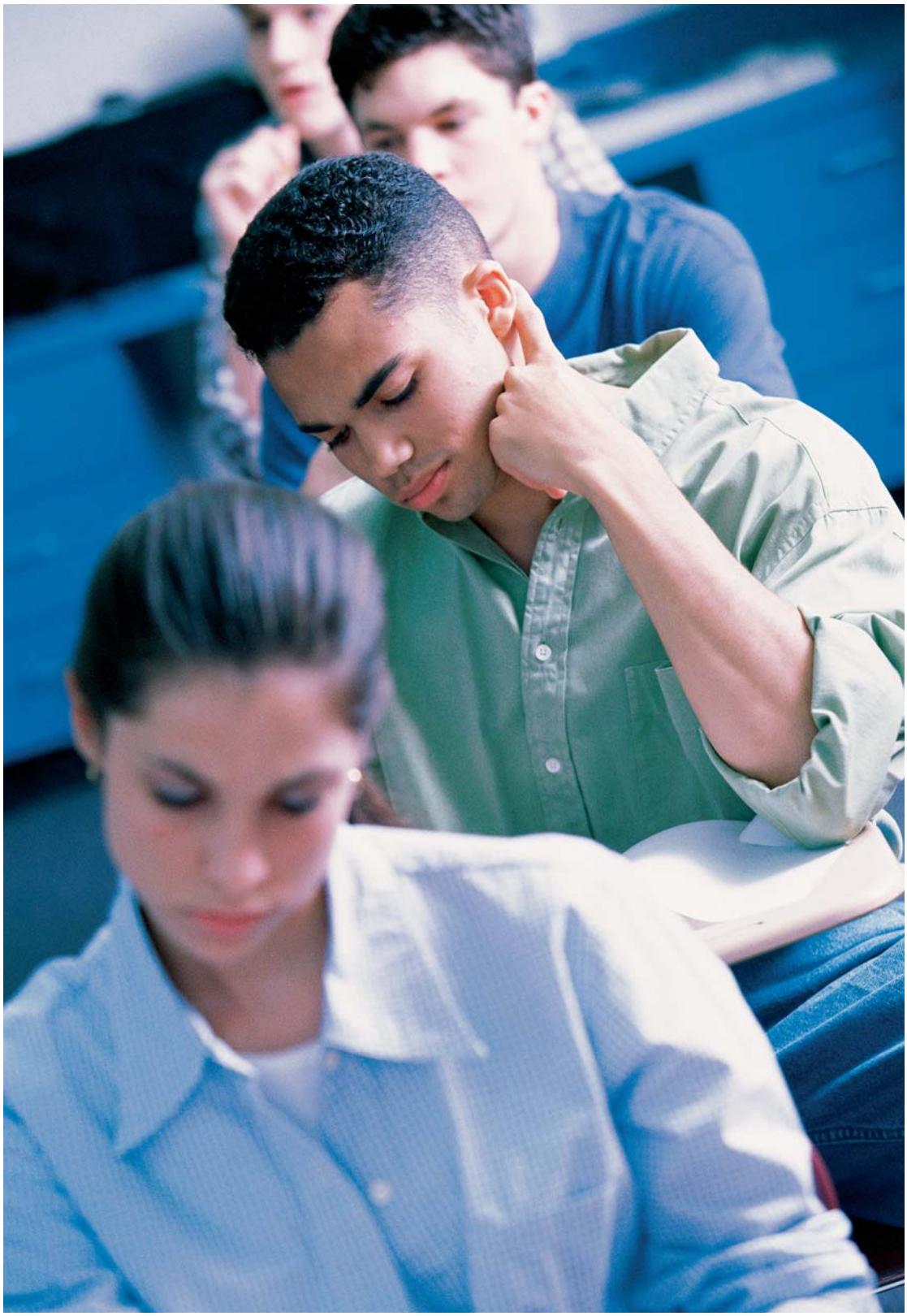
They allegedly posed as persons representing government regulatory agencies in New York City and threatened to report bogus violations at jobsites unless they were given hundreds, and sometimes thousands, of dollars in payoffs.

Many of the victimized contractors were immigrants. The two individuals threatened to report contractors to regulatory agencies, including OSHA. In some instances, they actually did file false complaints with these agencies.

The unnecessary site inspections interrupted and delayed construction projects, costing contractors considerable time and money. In addition to the inconvenience and increased costs to contractors, the hundreds of false complaints lodged with various city and Federal agencies, including OSHA and the New York City Fire Department, ultimately placed the safety of the general public at risk. For example, the defendants lodged numerous complaints with the fire department, which, in turn, would dispatch a fire truck and firefighters to visit the locations.

This is an ongoing investigation with the Manhattan District Attorney's Labor Racketeering Unit-Construction Industry Strike Force; New York City Department of Investigation, the OIG of the New York City Department of Buildings, the New York City Fire Department, the New York City Department of Information, Technology and Telecommunications, and OSHA.

Employment & Training Programs



Consortium for Worker Education Earmark Grant—Over $11 Million in Questioned Costs

ETA awarded a $32.5 million earmark grant to the Consortium for Worker Education (CWE) in New York City to establish the Emergency Employment Clearinghouse to provide employment, training, and education services for workers and employers impacted by the September 11, 2001, tragedy. The grant period was April 1, 2002, through December 31, 2004. We chose to audit this grant in part because it was the largest earmark grant the Department had ever awarded.

Our audit, which covered the entire grant period, found that CWE had established the Emergency Employment Clearinghouse. However, we identified significant financial and performance issues in the administration of this grant. Specifically, we found that CWE overstated the number of participants enrolled in the program by 3,682; claimed 366 ineligible participants; and could not demonstrate that participants received employment services being funded by the grant. For example, we found that CWE had double-counted a large number of participants, could not document participants enrolled by two centers operated by CWE contractors, and enrolled hundreds of participants who did not demonstrate that they were authorized to work in the United States.

Moreover, we determined that CWE charged costs to the grant that were not allowable and did not maintain adequate documentation to demonstrate participant eligibility and services. As a result, we questioned grant costs totaling $11,264,554. These findings demonstrate the importance of careful monitoring and oversight to ensure that the millions of dollars used in grants are used for their intended purpose.

Furthermore, CWE could not provide documentation to support four of the five participant outcomes it reported. As a result, we could not determine whether the grant met its outcome measures for training, placements, retention, and referrals to other programs. ETA monitors had earlier found similar financial and performance issues; however, though the monitors performed some follow-up, they did not ensure that the issues were adequately corrected by CWE.

We made several recommendations, including that ETA recover the more than $11.2 million in questioned costs and that it improve its monitoring process. CWE disagreed with our findings; however, it did not produce any additional documentation, and we did not revise our conclusions. (Report Number 02-08-203-03-390; issued February 29, 2008)

ETA Awarded Job Training Grants without Competition

The High Growth Job Training Initiative (HGJTI) is a Presidential Initiative with the goal of helping workers acquire the skills necessary for jobs in high growth industries such as information technology and advanced manufacturing. Between July 1, 2001, and March 31, 2007, the Employment and Training Administration (ETA) awarded 133 high growth grants, totaling $235 million (87 percent) through non-competitive procurement methods.

In response to a request from Senator Tom Harkin, Chairman of the Subcommittee on Labor, Health, and Human Services, and Education and Related Agencies, we conducted an audit to determine if ETA followed proper procurement procedures in awarding these grants without competition. Our audit of 39 grants awarded during FY 2003 through FY 2007, totaling $70 million, found that ETA could not demonstrate that it followed proper procurement procedures when it non-competitively awarded 35, or 90 percent, high growth grants we reviewed, totaling $57 million. We also concluded that ETA did not adequately justify its decisions to award 10 of the non-competitive grants, and that ETA did not consistently document its review of unsolicited grant proposals.

Specifically, we identified 69 occurrences in which ETA could not demonstrate that it had followed proper procurement procedures in awarding the 35 grants. As a result, ETA could not demonstrate that it made the best decisions for carrying out the goals of the high growth grants.

Moreover, our audit disclosed that matching requirements of $34 million for nine grants were not carried forward in grant modifications. This could significantly reduce the programs and levels of services provided from what was intended in the original grants. One of the justifications for awarding the grants non-competitively was that the grantee was providing external resources to support grant activities, in addition to the DOL funds it was

seeking, with the intended effect of making DOL's support of the activity highly cost-effective.

We made eight recommendations to ETA to improve management controls over grant awards.

Our recommendations include requiring that ETA ensure that award decisions are documented adequately and that matching requirements are carried forward when grants are modified. ETA agreed that its documentation could be improved and generally concurred with our recommendations; however, it disagreed with our finding pertaining to its compliance with procurement practices.

ETA asserted that its decisions to award grants non-competitively were justified.

ETA's February 4, 2008, response to the final audit report described a number of actions completed, ongoing, or planned in response to our recommendations.

As a result, we consider one recommendation fully implemented, and we agree with ETA's planned actions on three additional recommendations.

Four recommendations remain unresolved, pending our receipt of additional information from ETA. (Report Number 02-08-201-03-390; issued November 2, 2007)

Job Corps

Job Corps operates 122 centers throughout the United States and Puerto Rico to provide occupational skills, academic training, job placement services, and other support services, such as housing and transportation, to approximately 60,000 students each year. Its primary purpose is to assist eligible at-risk youth who need intensive education and training services. The OIG is statutorily required to audit Job Corps centers every three years.

Recent audit work has revealed that some operators of Job Corps centers overstated their performance results (i.e., student job placement, high school diploma attainment, attendance, and training records) in order to improve the centers' operating performance, which can result in the operating contractor receiving greater, performance-based, financial incentives. During this Semiannual Report period, we completed two audits of Job Corps centers.

Performance Audit Tulsa Job Corps Center Substantiated Hotline Allegations

In response to four allegations in a hotline complaint, we conducted a performance audit of the Tulsa Job Corps Center, operated by ResCare Corporation under contract to DOL.

We substantiated three of the four allegations. Regarding the first allegation we substantiated, we found that center officials did not follow parental approval requirements to obtain or maintain adequate proof of parental consent when enrolling minors. Failure to obtain this consent could make it difficult for center staff to assess students and provide appropriate services.

Second, we found that center officials did not maintain an Equal Employment Opportunity program for students as required. We found that the program was not adequate to ensure students' awareness about how to file complaints about discriminatory treatment.

Finally, we substantiated the allegation that the center overstated its on-board strength by retaining students who should have been separated. Including these students artificially distorted the center's performance.

It is important for DOL's Office of Job Corps to have reliable information about centers' performance to help it determine contractor efficiency.

We found that center officials properly conducted and completed the required quarterly student surveys. Therefore, we did not substantiate the fourth allegation.

We made three recommendations for improvement at the Tulsa Center.

The Office of Job Corps has completed corrective action related to one of the recommendations and has agreed to take corrective actions on the other two recommendations. (Report Number 26-08-003-01-370; issued March 13, 2008)

"It is important for DOL's Office of Job Corps to have reliable information about centers' performance to help it determine contractor efficiency."

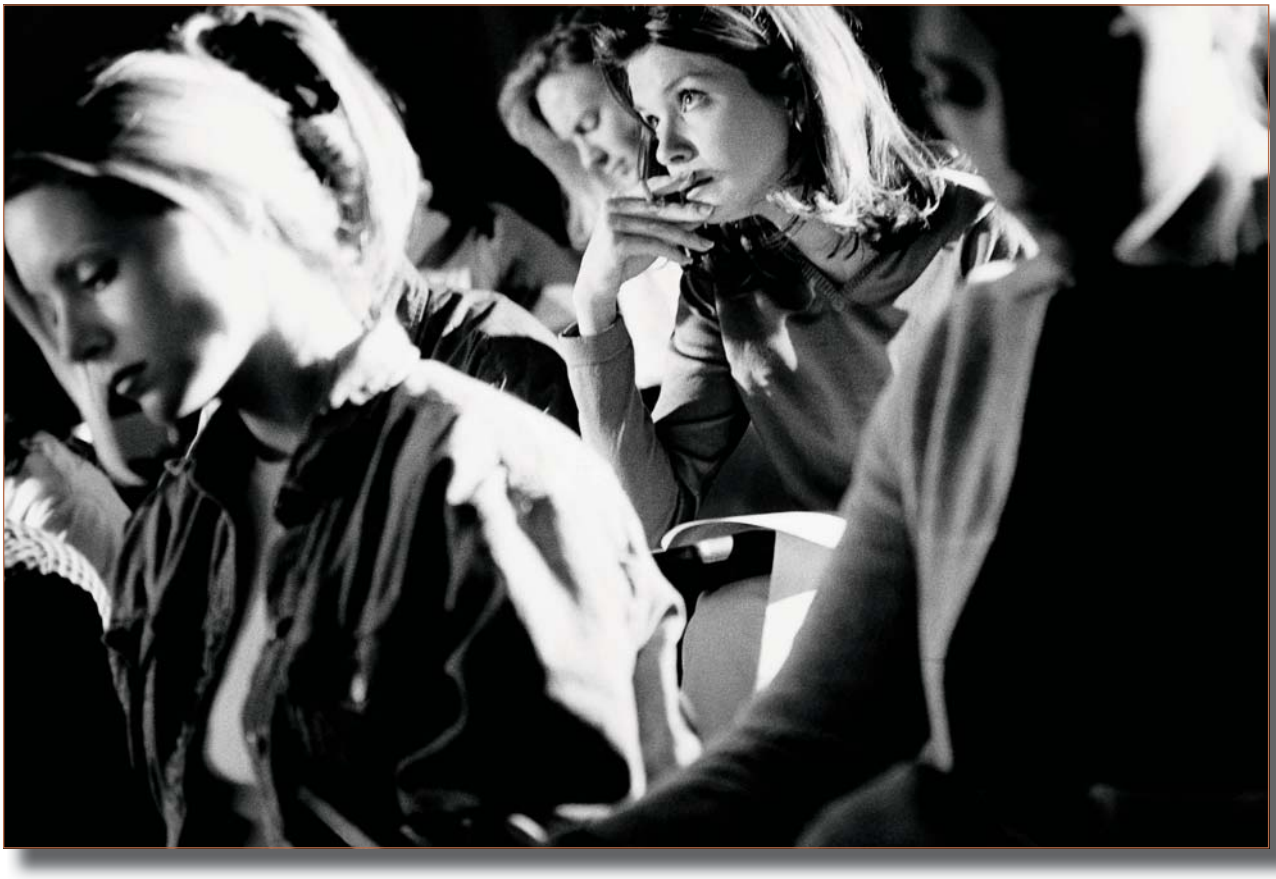
More Than $170,000 in Questioned Costs at a Job Corps Center in North Carolina

We conducted a performance audit of the Schenck Job Corps Center in Pisgah Forest, North Carolina, which is operated by the U.S. Department of Agriculture's Forest Service through an interagency agreement with DOL. Our objectives were to determine whether the center's financial and performance data were accurate, and its internal controls and operational procedures complied with the Job Corps Policy & Requirements Handbook.

We found that Schenck's management did not always report financial and performance data accurately, and its internal controls and operational procedures did not always comply with Job Corps requirements. As a result, we questioned $171,719 in unsupported costs.

In addition, we found a number of deficiencies in Schenck's student accountability controls. These controls are supposed to enable the center to know where students are at all times. For example, we concluded that the center's sign in/out log was inadequate and that center management granted students leave in violation of Job Corps requirements. We also found that management had permitted students to exceed the allowable number of AWOL days and did not terminate students who failed to comply with attendance requirements. As a result, Schenck retained 74 students for a total of 3,000 days beyond their required termination dates. Reliable performance data are vital for Job Corps to be able to make accurate assessments of how well centers are meeting the needs of students.

We made 14 recommendations aimed at improving the overall accuracy of the financial and performance data reported by Schenck to the Office of Job Corps. Six of our recommendations addressed improvements to Schenck's financial management and reporting, and eight recommendations were directed at improving student accountability. The Office of Job Corps has completed corrective actions related to 4 of the 14 recommendations and has agreed to take corrective actions on the other 10 recommendations. (Report Number 26-08-002-01-370; issued March 21, 2008)



WORKFORCE INVESTMENT ACT

The goal of the Workforce Investment Act (WIA) is to increase employment, retention, and earnings of program participants. The OIG has conducted numerous audits of the WIA program and its grantees since WIA's enactment, including audits of state WIA expenditures, training and educational services provided to dislocated workers, and state-report performance data. The Department has implemented many of our recommendations to improve WIA program administration and performance. OIG investigations have resulted in the prosecution of individuals who illegally obtained WIA funds, denying eligible persons the benefit from employment services. Our investigations have also documented conflict-of-interest issues involving program administrators.

Des Moines City Councilman Guilty of Misapplying Job Training Funds

Joseph Archibald "Archie" Brooks Jr. pled guilty on October 19, 2007, to conspiracy, fraud, and misapplication of funds from the job training and educational entity known as the Central Iowa Employment and Training Consortium (CIETC). Brooks, a former Des Moines city councilman and former chair of the CIETC board of directors, approved excessive and unreasonable compensation payments to several CIETC officials.

On March 26, 2008, a civil settlement agreement, separate from the criminal case, was entered into by the U.S. Attorney's Office, DOL, the U.S. Department of Health and Human Services (HHS), and the State of Iowa, whereby the state agrees to repay $1.3 million dollars to the United States as a result of negotiations with the state over the alleged misappropriation of Federal funds provided to CIETC through WIA and the Temporary Assistance for Needy Families.

In addition, Victor John Scaglione, a former CIETC employment specialist, was sentenced on December 7, 2007, to 16 months' incarceration in connection with his conviction for making false statements to a Federal grand jury investigating the CIETC fraud case. Scaglione was convicted for making false declarations regarding accounting for his and other employees' time and involvement in personal business, including, but not limited to, gambling activities while being compensated by CIETC. This is a joint investigation with the FBI, the Iowa State Auditor's Office, the Iowa Department of Public Safety, the Iowa Division of Criminal Investigation, and HHS-OIG. *United States* v. *Victor John Scaglione* (S.D. Iowa)

"Brooks, a former Des Moines city councilman and former chair of the CIETC board of directors, approved excessive and unreasonable compensation payments to several CIETC officials."

FOREIGN LABOR CERTIFICATION PROGRAMS

The Department's foreign labor certification programs allow U.S. employers to employ foreign labor to meet worker shortages. OIG investigations have revealed that the foreign labor certification process continues to be compromised by unscrupulous attorneys, labor brokers, employers, and others.

Conspirators of Florida Labor Leasing Company Sentenced to Pay $1 Million

Between December 2007 and February 2008, four conspirators who operated a Florida-based labor leasing company, Eurohouse Inc., were sentenced for their roles in defrauding the foreign labor certification program by submitting fraudulent H-2B labor certification applications. In addition to jail time, Justin King, Vyacheslav Finkel, Aleksander Berman, and Anna Czerwien are jointly and severally responsible for a $1 million judgment. Czerwien, president of Woland Inc. (formerly Eurohouse Inc.), also forfeited a residence and three vehicles.

In addition to defrauding DOL's foreign labor certification program, Eurohouse Inc. defrauded the U.S. Department of Homeland Security (DHS) and the U.S. Department of State (DOS) from 2003 to 2007 by preparing and submitting fraudulent ETA-750 applications for H-2B temporary foreign workers and nonimmigrant visa petitions for alien beneficiaries. As a result of the fraud, approximately 200 H-2B temporary alien workers illegally entered the United States and were leased as contract employees to various businesses in various unspecified hourly job positions. Furthermore, the alien workers were charged excessive rent and transportation costs by Eurohouse for its services. The defendants also took advantage of the devastation caused by Hurricane Katrina by fraudulently requesting and obtaining certification from DOL for approximately 240 H-2B temporary foreign workers, purportedly on behalf of four New Orleans hotels. The defendants perpetrated the fraud without authorization or knowledge of the hotel entities listed as requesting the workers.

This was a joint investigation with DOS-Diplomatic Security Service (DSS) and the U.S. Immigration and Customs Enforcement (ICE). *United States v. Anna Czerwien and United States* v. *Aleksander Berman et al.* (N.D. Florida)

Family Conspiracy Yields a Guilty Plea and Sentencing of Two Brothers

John Chikwon Hwang, owner and vice president of Brothers Construction Company (BCC), pled guilty on January 23, 2008, for his role in a conspiracy with his brothers, Chichan Hwang and Charlie Chiwon Hwang, and others to submit fraudulent labor certification applications and related documents to DOL and other government agencies. The brothers submitted these fraudulent immigration-related documents in an effort to obtain green cards for foreign nationals. The Hwangs charged the individuals more than $27,000 to submit their visa applications. The brothers then arranged for BCC to provide paychecks to the individuals to fraudulently demonstrate to DHS and other Federal agencies purported employment with BCC. To this end, BCC generated more than $1.1 million in fictitious payroll. For his involvement in the scheme, Charlie Chiwon Hwang was sentenced on November 8, 2007, to 21 months of imprisonment and 2 years of probation and was ordered to forfeit $250,000. This is a joint investigation with DOS-OIG, DOS-DSS, DHS, FBI, and the Fairfax County (VA) Police Department. *United States* v. *Charlie Chiwon Hwang* (E.D. Virginia)

California Attorneys Sentenced for Visa and Labor Certification Fraud Scheme

Philip Abramowitz, an immigration attorney and partner with Los Angeles–based Korenberg, Abramowitz, and Feldun (KAF), was sentenced on March 24, 2008, to, among other things, serve 21 months in Federal prison, pay a $650,000 monetary judgment, forfeit $184,904, and pay a fine of $100,000.

Dan Korenberg and Steve Rodriguez, two senior KAF attorneys, were sentenced on March 10, 2008, for their respective roles in the same visa and labor certification fraud scheme. Korenberg's sentence included 24 months in Federal prison and a fine of $750,000.

Korenberg and Rodriguez conspired with Abramowitz to sign and file fraudulent immigration petitions while directing KAF paralegals to become involved in the scheme.

From 2000 through 2003, the defendants filed fraudulent employment-based visa petitions on behalf of foreign nationals with DOL and the U.S. Immigration and Naturalization Service (INS) who were seeking temporary work authorization or permanent residency in the United States. The defendants then applied for fraudulent work visas for those employees and paid them "off the books" until the visas were approved.

In addition to the law firm, the probe targeted two employment agencies, Job Seekers International and Employmasters International. The investigation revealed that the employment agencies identified employers, both real and fictitious, to attest that the aliens seeking work visas were being recruited for highly skilled jobs that often did not exist. In 2005, the owners of those employment agencies and one of their employees pled guilty to visa fraud and conspiracy charges. *United States* v. *Phillip Dennis Abramowitz, United States v. Daniel E. Korenberg, and United States* v. *Steven James Rodriguez* (C.D. California)

Fruit Company Sentenced to Pay $500,000

Lochirco Fruit and Produce Inc. and Joette Reidy, a former officer of the company, were sentenced on February 7, 2008, for knowingly hiring and employing falsely documented workers. Lochirco's sentence included two years' probation and a $99,000 fine The company was given six months from the date of sentencing to pay $500,000 to ICE, to be forfeited in lieu of forfeiting real and personal property. Lochirco required a supply of laborers during the fall months at the orchard. As the volume of apple production increased, Reidy met the demand by hiring foreign nationals unauthorized for employment. By 2006, Lochirco was employing approximately sixty to seventy seasonal workers, many of whom were undocumented workers. This is a joint investigation with the DHS, ICE, and the Social Security Administration (SSA)-OIG. *United States* v. *Lochirco Fruit and Produce Inc. d/b/a Happy Apples and United States* v. *Joette Reidy* (E.D. Missouri)

Consultant Sentenced for Submitting Hundreds of False Labor Applications

Paul Svejda, a former immigration consultant, was sentenced on February 7, 2008, to 18 months' incarceration, followed by 2 years' supervised release; forfeiture of $50,000; and 100 hours of community service for his role in preparing and submitting hundreds of fraudulent labor condition applications and temporary employment–based visa petitions to DOL and USCIS. A second defendant, who is also charged with visa fraud, is currently a fugitive and is believed to reside in the United Kingdom.

Svejda set up more than 100 shell companies to file a variety of fraudulent nonimmigrant visa applications, including labor condition applications and visa petitions for H-1B workers; L-1A (intracompany transferee) visa petitions; and E-2 (investor) visa petitions on behalf of his foreign clients. He charged these undocumented aliens between $5,000 and $20,000 for the visas and promised assistance in securing permanent residence cards ("green cards"). To mislead the approving officials, Svejda required his clients to transfer approximately $100,000 into a U.S. bank account in the name of the bogus corporations. In addition, he created bogus lease agreements and other fraudulent business records, such as sales contracts, income journals, invoices, payroll records, and tax returns, to support the fraudulent visa petitions. This was a joint investigation with ICE and the IRS. *United States* v. *Paul Svejda* (M.D. Florida)

"He charged these undocumented aliens between $5,000 and $20,000 for the visas and promised assistance in securing permanent residence cards ("green cards")."

Several Indicted in Falsification of Labor Certification Forms

Two Los Angeles women, a Korean national, and a Maryland-based immigration services company were charged on December 17, 2007, with conspiring to submit false labor certification applications and immigration petitions on behalf of foreign nationals applying for visas to enter the United States. Between 1997 and 2003, the defendants, who provided services to Korean and Chinese communities in several countries, allegedly submitted fraudulent immigration documents to assist foreign nationals in obtaining "green cards." The defendants filed false forms, bearing the names and identifying information of former clients, without their consent. Many of these clients had already attained the status of lawful permanent resident and, in some cases, citizenship. The defendants allegedly resubmitted the forms with the name of the new foreign national and information for fees ranging from $20,000 to $50,000. The indictment seeks forfeiture of $1 million, as well as property in Maryland. This is a joint investigation with ICE.

Worker Benefits Programs

UNEMPLOYMENT INSURANCE PROGRAMS

The Department partners with states in administering a number of unemployment benefit programs. One, the Federal-state Unemployment Insurance (UI), provides benefits to eligible workers who are unemployed because of a lack of suitable work and who meet eligibility requirements established by their respective state. UI benefits are financed through employer taxes imposed by the states, which deposit the revenue in the Federal Unemployment Trust Fund until needed to pay benefits.

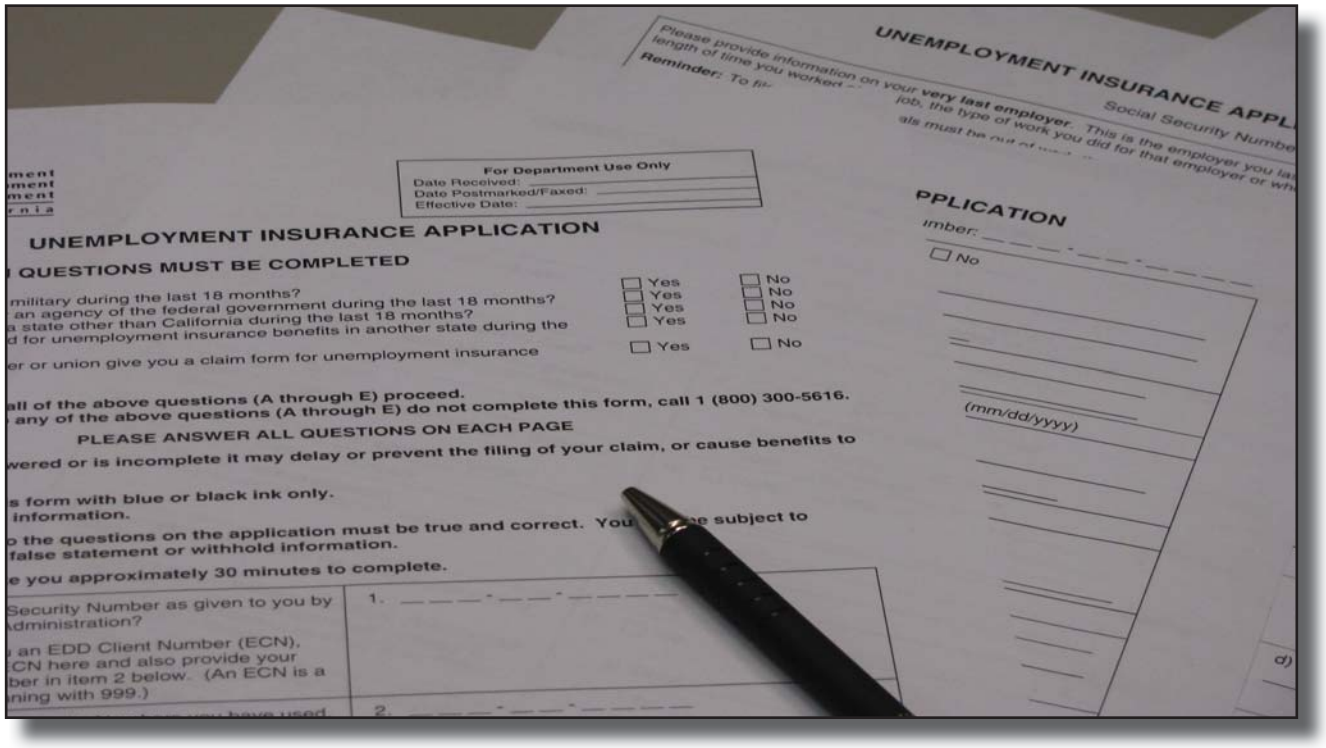
Another program, Disaster Unemployment Assistance (DUA), is a federally funded program that provides income replacement to individuals who lose their jobs as a direct result of a major disaster and who are not eligible for any other UI benefits. OIG audits conducted after the 2005 hurricanes demonstrated the importance of effective controls to ensure that unemployment benefits reach only eligible persons.

Following the hurricanes in 2005, the OIG focused attention on administration of the DUA program. In addition to our audit work, the OIG actively performs criminal investigations and refers for prosecution cases that involve individuals who defraud unemployment benefit programs. Recent investigations have documented the manner in which criminals steal identities to file for fraudulent UI benefits.

Owner of Labor Leasing Company Defrauds Government of $1.45 Million

Phuong Hoai Ha, owner of a Philadelphia-based, labor leasing company known as F&S Personnel Inc. (F&S), pled guilty on March 11, 2008, to one count of conspiracy to defraud the government of UI, corporate, and personal income taxes, totaling more than $1 million. F&S "leased" temporary laborers, who were recruited from the local South Asian community, to various client businesses on a weekly basis. The temporary workers performed low-skilled jobs, such as packaging and assembly line work. The company then paid the workers "under the table" in cash.

F&S entered into contracts that specifically indicated that the company bore the responsibility of collecting, accounting, and forwarding the payroll taxes of their employees to the appropriate Federal, state, and local authorities. However, Ha did not withhold or pay over the employment taxes, including UI, for employees. Instead he diverted approximately $900,000 in cash to pay for casino gambling, lavish cars, and diamond jewelry, among other things. Ha also did not require his employees to produce proper identification necessary for the appropriate payroll accounting and payments to be made to taxing and insuring authorities. *United States* v. *Phuong Ha* (E.D. Pennsylvania)



Store Owner with Ties to Hezbollah Uses Fraudulent UI Proceeds to Fund Terrorist Group

Abdulla Kasem Ahmed Muthana pled guilty on November 16, 2007, for his role in using his business to launder approximately $350,000 in proceeds from a UI scheme. As part of his plea, he agreed to forfeit approximately $220,306.

From 2005 to 2007, Muthana operated the Ranchito Markets in Corcoran and Tulare, California, through which he laundered the monies. The store owner cashed scores of fraudulent UI checks, collected his transaction fee, and remitted the remaining amount in cash back to individuals who knew the UI check was fraudulent.

On two separate occasions, Muthana agreed to send $55,000 and $80,000 to Bahrain, specifically to fund the Hezbollah militia in Lebanon. Muthana was arrested before completing the $80,000 transaction. This is a joint investigation with the Fresno FBI Joint Terrorism Task Force (JTTF) and the California Employment Development Department (EDD). *United States* v. *Muthana* (E.D. California)

Counterfeiters of UI Checks Plead Guilty

James Moya and Rosemary Almada pled guilty on November 16, 2007, and February 8, 2008, respectively, for their roles in a counterfeit UI check scheme. Moya and Almada conspired with others to create more than 240 counterfeit U.S. Treasury checks, California UI checks, and disability insurance checks that were cashed at 66 different businesses. Methamphetamine addicts throughout the Los Angeles and Orange County, California, area were recruited by the conspirators to cash the checks.

The check cashers, who split the proceeds of the checks with the counterfeiters, initially cashed the counterfeit checks by using their actual names, addresses, and driver's licenses. After a few of the check cashers were arrested by local police departments, the counterfeiter made fake driver's licenses with the photographs of the check cashers, using names and addresses taken from stolen mortgage applications. The counterfeiter then made the checks payable to the check cashers with the fake driver's licenses.

This is a joint investigation with the U.S. Postal Inspection Service (USPIS), SSA-OIG, California EDD, and the U.S. Secret Service. *United States* v. *James Ernest Moya, Rosemary Almada, et al.* (C.D. California)

Georgia Woman Indicted for UI Fraud in Three States

A Georgia woman and five other co-defendants were indicted on January 8, 2008, for state violations concerning racketeering related to a UI fraud scheme amounting to $204,608. Two of these defendants were sentenced in March to 10 years' probation and were ordered to pay a total of nearly $14,000 in restitution.

The defendants allegedly created fictitious employer entities and paid benefits to approximately 47 ineligible UI claimants, 38 of whom received benefits through the use of stolen Social Security numbers. A significant portion of the stolen funds were purportedly deposited onto prepaid credit cards. The defendant allegedly engaged in similar schemes in Arkansas and Missouri. In a separate scheme, the main defendant used her tax preparation and accounting service business to prepare inflated tax returns in 2005 and 2006 through which she received kickbacks.

This is an ongoing case with the Douglas County (Georgia) Sheriff's Office.

Ten Individuals Indicted for Obtaining Confidential UI Information

Ten individuals were indicted on December 5, 2007, by a Federal grand jury in connection with a pretexting scheme to illegally obtain confidential information from State Workforce Agencies, SSA, and IRS on more than 12,000 U.S. citizens. Charges included conspiracy, wire fraud, aggravated identity theft, and solicitation of Federal tax information.

Private investigators across the country allegedly obtained confidential information that included state employment/wage, Federal tax, Social Security and medical/pharmacy records. They were hired by attorneys, insurance companies, and collection agencies to investigate the background of opposing parties, witnesses, and benefit claimants, as well as to uncover assets or income in return for fees ranging from $30 to $300.

This is an ongoing investigation with the Washington Employment Security Department, SSA-OIG, and the U.S. Treasury Inspector General for Tax Administration.

"Private investigators across the country allegedly obtained confidential information that included state employment/wage, Federal tax, Social Security and medical/pharmacy records."

Convenience Store Owner Indicted for UI Check Cashing Scheme

A California owner of a convenience store was indicted on December 20, 2007, for her role in a UI scheme in which she allegedly cashed UI checks that she knew were obtained fraudulently. The store owner charged an inflated check-cashing service fee of up to 50 percent of the total amount and deposited the checks into bank accounts that she controlled. The checks purportedly were obtained using the identities of hundreds of unknowing individuals. This is an ongoing investigation with California EDD.

Wage and Hour Programs

The Davis-Bacon Act and related acts, such as the Copeland "Anti-Kickback" Act, require the payment of prevailing wage rates and fringe benefits on federally financed or assisted construction. The OIG selectively focuses on investigating violations by contractors engaged in Federal construction projects who submit falsified certified payroll records in violation of the Copeland Act.

Former Company Vice President Defrauds Government in Contracts Worth $121 Million

Dennis F. Campbell, the former vice president of Schuylkill Products Inc. (SPI), pled guilty on February 13, 2008, for his role in a pattern of fraudulent activity that allowed SPI to be awarded $121 million in federally funded highway construction contracts over a 14-year period. The scheme involved 347 disadvantaged business enterprise (DBE) subcontracts on bridge projects awarded through the Pennsylvania Department of Transportation (PENNDOT).

Campbell was one of the East Coast's largest manufacturers of concrete bridge beams used in highway construction projects. Campbell, along with four other co-conspirators, used Marikina Construction Corporation (Marikina), a Filipino-owned company based in Connecticut, to obtain DBE subcontracts on federally funded construction jobs that were actually performed, managed, and supervised by employees of SPI and CDS Engineers Inc. (CDS), a sister company of SPI.

Between 1994 and 2007, Marikina became PENNDOT's largest recipient of DBE-designated funds. SPI and CDS officials prepared phony certified payroll reports to the general contractor and DOL, falsely indicating that Marikina employees performed the work.

Furthermore, Campbell and his co-conspirators fraudulently caused the award of Federal contracts to Marikina by creating the illusion that the company would perform a "commercially useful function" on the subcontract. Campbell and others fraudulently induced PENNDOT to certify and recertify Marikina as a DBE by means of false and fictitious representations regarding the management, control, and independence of Marikina.

This was a joint investigation with the FBI and DOT-OIG. *United States* v. *Dennis F. Campbell* (M.D. Pennsylvania)

"During the reconstruction of the Pentagon, Cousar, Bradica, and Monte used a billing scheme that falsely overreported labor hours and materials."

Construction Company Owner Defrauds Fed in 9/11 Reconstruction of Pentagon

Thomas Cousar, the owner of CAPCO Contracting Inc., pled guilty on February 20, 2008, to mail fraud, major fraud against the Federal government, and conspiracy to defraud the U.S. government for two separate schemes in which he falsified invoices related to the construction of a baseball park, a university sports complex, and the reconstruction of the Pentagon following the terrorist attacks of September 11, 2001. Catherine Bradica, a CAPCO financial officer, pled guilty on February 19, 2008, to the same charges, and Daniel Monte, a CAPCO employee, pled guilty to the conspiracy charge.

From 1999 through 2001, CAPCO was paid on a "time and material" basis for the construction of the Pittsburgh Pirates Professional Baseball Park and the Peterson Event Center. In violation of the Copeland Act, Cousar and Bradica falsified required certified payrolls by overreporting regular and overtime hours worked and by adding names of individuals who had not worked on the job for those specific days and hours. In addition, Cousar and Bradica indicated that employees were paid overtime rates when actually the employees received straight hourly rates in the form of expense checks. CAPCO was bound by CBAs to remit reports and payments for work performed by union employees.

During the reconstruction of the Pentagon,

Cousar, Bradica, and Monte used a billing scheme that falsely overreported labor hours and materials. They also diverted material from the Pentagon reconstruction job to other CAPCO projects. AMEC Construction Management Inc. (AMEC) was the general contractor for the Pentagon reconstruction project, and CAPCO was a subcontractor.

From 2001 through 2002, CAPCO was paid on a "time and material" basis by AMEC. Cousar, Bradica, and an AMEC project supervisor, Joseph Arena Jr., conspired to conceal their personal relationship and CAPCO payments for the personal benefit of Arena. Arena was responsible for reviewing invoices and change orders submitted by CAPCO to AMEC. Cousar, Bradica, and Arena further attempted to conceal unethical conduct by providing the U.S. Department of Defense (DoD)-OIG with a fraudulent invoice and personal check. Arena previously pled guilty to conspiracy in October 2006.

This is a joint investigation with IRS-Criminal Investigative Service (CID), DoD-Defense Criminal Investigative Service (DCIS), DoD-Defense Contract Audit Agency (DCAA), USPIS, and FBI. *United States* v. *Thomas Cousar; Catherine Bradica; Daniel Monte; and Joseph Arena* (W.D. Pennsylvania)

Shortcomings Existed in Emergency Planning and Communication at New Orleans Wage and Hour Division Office

At the request of the Chairman of the House Domestic Policy Subcommittee, we conducted an audit of Employment and Standards Administration's (ESA's) Wage and Hour Division (WHD) office in New Orleans to determine how well it processed workers' complaints in the aftermath of Hurricane Katrina. We focused on staffing, intake procedures by which workers file complaints, communication with complainants, and outreach activities.

We determined that the New Orleans Office was adequately staffed by detailing additional investigators, including Spanish- and Portuguese-speaking investigators. However, we found that WHD does not have an emergency plan for addressing how it would serve the New Orleans' workforce or the workforce in other metropolitan areas in the Southwest if a situation similar to Hurricane Katrina were to occur again.

We also found that the New Orleans Office did not adequately communicate with complainants in 11 of the 30 cases we reviewed, with lapses in communication averaging about five months. Finally, the New Orleans Office performed community outreach and attempted to establish relationships within the community to assist the office in gathering and investigating worker complaints. While these efforts produced few complaints or investigations, the New Orleans Office did conduct more directed investigations – 402 directed investigations in FY 2007 compared with 58 directed investigations in FY 2005.

We could not determine whether the New Orleans Office's intake procedures impeded workers' ability to file complaints because the office did not maintain a record of all the inquiries it received. As a result, the New Orleans Office was unable to demonstrate the correctness of its decisions on those inquiries that it had decided were not violations or were outside of WHD's jurisdiction.

We made three recommendations to ESA: ensure that WHD's Continuity of Operations Plan specifically addresses how the workforce would be served in the event of a disaster; direct WHD district offices to maintain a record of all inquiries received; and ensure that WHD investigators comply with the policy on regular communication with complainants and document those communications in the case file. ESA agreed to improve the agency's Continuity of Operations Plan and to reaffirm its procedures for regular communication with complainants.

However, ESA did not agree to maintain a record of all inquiries received, stating that doing so would prove detrimental to WHD's ability to provide assistance to employees who may be reluctant to complain. (Report Number 04-08-002-04-420; issued March 31, 2008)

"We found that WHD does not have an emergency plan for addressing how it would serve the New Orleans' workforce or the workforce in other metropolitan areas in the Southwest if a situation similar to Hurricane Katrina were to occur again."

OFFICE OF WORKERS' COMPENSATION PROGRAMS

The Employment and Standards Administration's Office of Workers' Compensation Programs (OWCP) administers the Federal Employees' Compensation Act (FECA) program and three other disability compensation programs, which provide wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers for work-related injuries or occupational disease. The FECA benefits are charged to the employing Federal agencies that rely upon OWCP to adjudicate claims eligibility and to pay compensation benefits and medical expenses. OWCP has similar responsibilities for Black Lung, Longshore and Harbor Workers, and Energy Employees Occupational Illness Compensation programs financed by a combination of Federal and industry funds.

Plastic Surgeon Sentenced in DOL Fraud in Excess of $1 Million

Richard Coin, a hand surgeon who specialized in plastic surgery, and his company, Reconstructive Microsurgery Associates (RMA), were sentenced on February 15, 2008, for demands against the United States and health care fraud, respectively. Coin's sentence included 2 years' probation, 100 hours of community service, and a $20,000 fine. RMA's sentence included 2 years' probation, a $1.1 million fine, and $400,000 in restitution to victims.

From approximately 2001 to approximately 2003, Coin directed RMA to prepare and submit falsified operative reports, reimbursement claims, and other billing documents, totaling more than $1 million, to DOL for medical services allegedly provided to Federal employees and to private and public health care benefit programs participants. RMA and its agents made fraudulent statements in patients' medical records concerning the nature and severity of the patients' injuries in order to justify medically unnecessary treatments and to secure higher reimbursement from insurers. They also fraudulently stated in reports and notes that surgical procedures had been performed that had not been provided. This is a joint investigation with the FBI and U.S. Postal Service (USPS)-OIG. *United States* v. *Reconstructive and Microsurgery Associates Inc. and United States* v. *Richard E. Coin* (E.D. Missouri)

Health Care Physician Pleads Guilty to Defrauding FECA

Martin McLaren, a medical doctor who owned and operated a clinic, pled guilty on February 13, 2008, to charges of health care fraud for his role in a scheme through which he and his company, Pain Management Center (PMC), defrauded a number of health benefit programs, including OWCP, the Medicare program, the District of Columbia's Medicaid program, and the Federal Employee Health Benefits Program. As part of his guilty plea, McLaren agreed to pay a total of $5 million to settle the criminal restitution, forfeiture, and civil aspects of the case.

From 2000 to 2006, McLaren, who controlled all aspects of PMC billing, invoiced the above health benefit programs for medical services that were not performed. He billed for services that PMC did not have the necessary equipment to perform the procedure, and, billed for patient consultations he did not provide.

This is an ongoing investigation with the FBI, HHS-OIG, and the Office of Personnel Management-OIG. *United States* v. *Martin McLaren* (D. District of Columbia)

Postal Employee Collects FECA Checks While Operating Several Businesses

David Van Deusen, a former USPS employee, was sentenced on January 2, 2008, to 18 months in prison and 3 years' probation and was ordered to pay $392,863 in restitution and a $100 special assessment, as a result of his previous guilty plea to one count of FECA fraud. While he received workers compensation benefits due to back injuries that occurred in 1988 and 1991, Van Deusen operated several businesses from his home, including used-auto sales, paving and blacktop sealing, and sign manufacturing. He failed to report these business activities and the income earned to OWCP as required. This was a joint investigation with the USPS-OIG. *United States* v. *David P. Van Deusen* (N.D. New York)

Letter Carrier Worked as "Carnie" as He Defrauded DOL Program

Daryl Engelhardt, a former USPS letter carrier, was found guilty on December 18, 2007, of mail fraud and false statements for failing to report income as required.

After reportedly injuring his back in 2001 while working as a letter carrier, he went on total disability in 2005. During the summer of 2006, Engelhardt worked in Michigan at numerous fairs and carnivals by tattooing and giving aura readings. He was also observed carrying equipment, lifting heavy objects, jogging, bending, twisting, and sitting and standing for extended periods of time. Furthermore, Engelhardt falsified DOL documents regarding his employment activities. This is a joint investigation with USPS-OIG. *United States* v. *Daryl Engelhardt* (E.D. Michigan)

Man Charged with Stealing Deceased Aunt's FECA Checks

A Maryland resident was charged on November 28, 2007, with stealing more than $92,588 in FECA benefits from his deceased aunt, who is a former recipient of FECA survivor payments. From 1999 to 2004, the defendant allegedly forged his aunt's signatures on her FECA beneficiary checks. He then deposited the forged FECA checks into a joint account that he maintained with his aunt. Prior to her death, the defendant had power of attorney that he used to assist his aunt in managing her affairs. This is a joint investigation with the Maryland State Police.

Former Senate Employee Allegedly Raced Cars While Collecting FECA Checks

A former U.S. Senate employee was indicted on November 8, 2007, for fraud against the FECA program, totaling $51,512. The FECA recipient, who suffered a knee injury in 1989 while employed as a temporary cable installer, claimed, among other things, that he was unable to operate a vehicle. The indictment alleges that the former Federal employee entered and won cash prizes from various car-racing events in several states beginning in 1998. The FECA recipient also allegedly worked as a director of operations for a Maryland-based security company. This is a joint investigation with the FBI.

Woman Defrauds Black Lung Benefits Act Program for 26 Years

Gladys L. Hinerman, a resident of Coal Center, Pennsylvania, was sentenced March 6, 2008, for her role in a 26-year scheme in which she defrauded the Division of Coal Mine Workers' Compensation Black Lung Benefits Program of $129,453.

Hinerman illegally negotiated Black Lung Program survivor's widow benefit checks intended for her mother. She achieved this by falsifying forms and stating that her mother was suffering from dementia when, in fact, her mother had died in 1980. *United States* v. *Gladys L. Hinerman* (N.D. Ohio)

DEPARTMENTAL MANAGEMENT

DOL FINANCIAL STATEMENTS RECEIVE UNQUALIFIED OPINION FOR 11TH CONSECUTIVE YEAR

The Department received an unqualified opinion on its annual consolidated financial statements for the 11th consecutive year. The OIG contracted with KPMG LLP to audit these statements, and PricewaterhouseCoopers LLP (PwC) to support KPMG with audit testing. KPMG issued an unqualified opinion and concluded that DOL's financial statements were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

SIGNIFICANT DEFICIENCIES

In considering internal control over financial reporting, the auditors identified four conditions from prior years as being significant deficiencies; however, none of the significant deficiencies were believed to be material weaknesses. These four outstanding significant deficiencies from prior years, as detailed below, continue to require management's attention:

1. Lack of Adequate Controls over Access to Key Financial and Support Systems
2. Weakness Noted over Payroll Accounting
3. Weakness Noted over Budgetary Accounting
4. Lack of Segregation of Duties over Journal Entries

OUTSTANDING SIGNIFICANT DEFICIENCIES

1. Lack of Adequate Controls over Access to Key Financial and Support Systems

The OIG has been reporting access control weaknesses over the Department's financial systems since FY 2001 and application access control weaknesses since FY 2004. In FY 2006, we identified two conditions relating to system access controls over financial reporting: lack of strong application controls over access to and protection of financial information and lack of strong logistical security controls to secure DOL's networks and information. During the FY 2007 audit, we noted that 51 prior-year, agency-specific recommendations addressing access controls had not been corrected.

We noted issues with account management, configuration management, and review of system audit logs across various DOL agencies in our FY 2007 testing of DOL's IT systems, each of which could adversely affect DOL's ability to initiate, authorize, record, process, or report DOL financial data.

The FY 2007 audit's testing resulted in 112 new recommendations related to access controls. The new weaknesses detected during FY 2007 and the prior-year control weaknesses represent a significant deficiency over access to key financial and support systems. Collectively, these weaknesses include deficiencies in key security and system software controls that directly impact access to financial systems.

2. Weakness Noted over Payroll Accounting

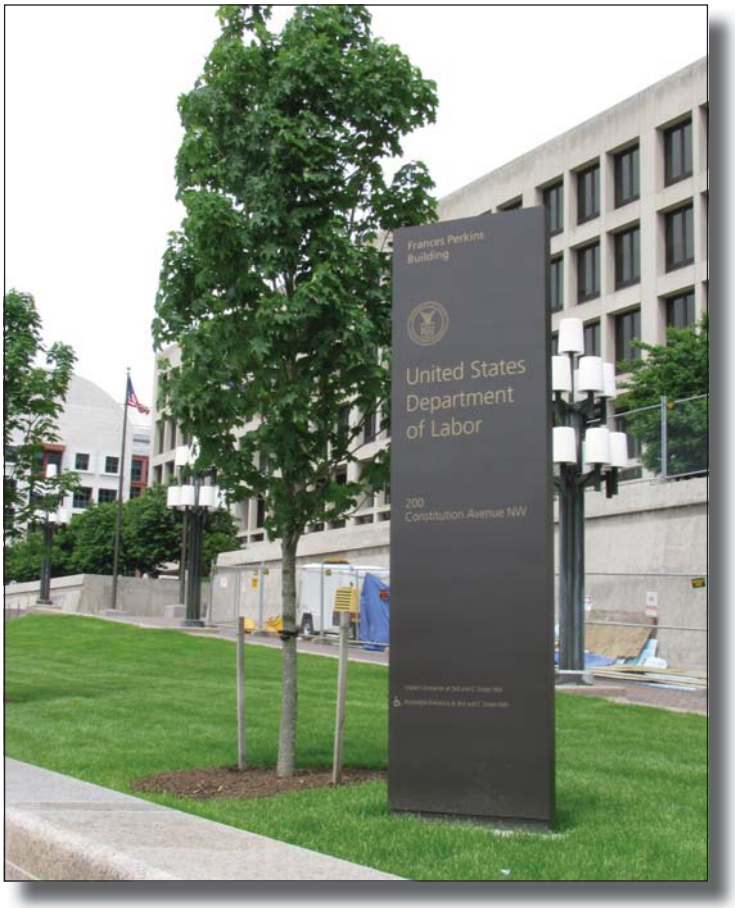
During FYs 2006 and 2007, the U.S. Department of Agriculture's Office of the Chief Financial Officer (OCFO) National Finance Center (NFC) processed DOL's payroll. The USDA-OIG reported a qualified opinion regarding the effectiveness of NFC's internal controls in both fiscal years.

Our FY 2006 audit found that DOL did not have policies and procedures in place to reconcile the payroll information it submitted to NFC to the information received and processed by NFC.

As part of DOL's corrective action plan for FY 2007, a Reconciliation Report was developed for reconciling information sent to NFC to information received and processed by NFC. In March 2007, the Department's OCFO issued policies and procedures stating that each DOL human resource office should review these reports each pay period and resolve differences identified. However, no offices we tested had complied with these new procedures, although two offices performed their own reconciliation procedures. The lack of Department-wide reconciliation controls, compounded by the control weaknesses identified at NFC, increase the risk that the FY 2007 financial statements could be misstated due to errors in payroll processing by NFC.

3. Weakness Noted over Budgetary Accounting

For FY 2006, we reported that the OCFO did not complete timely reconciliations related to the Apportionment and Reapportionment Schedules (SF-132) and the Report on Budget Execution and Budgetary Resources (SF-133). We recommended that DOL management ensure that current policies and procedures regarding SF-132 and SF-133 reconciliations are enhanced to require that quarterly reconciliations be prepared and documented; ensure the completion of documented supervisory reviews over the reconciliations; and ensure the completion of these procedures by a certain date.



During our FY 2007 audit, we requested quarterly reconciliations of the SF-132 to the SF-133. However, the first quarter reconciliation was not completed, and the second quarter reconciliation was not provided until June 2007. In addition, these reconciliations identified several nec-essary corrections to amounts posted in the general ledger, and various differences remainedunresolved. We also requested reconciliation of the FY 2006 Statement of Budgetary Resources to the FY 2006 President's Budget of the United States; however, we noted the reconciliation was not reviewed in a timely manner. In FY 2006 and FY 2007, the OCFO did not have adequate resources and did not adequately enforce policies to ensure the reconciliations were completed and any identified reconciling items resolved in a timely manner. The lack of timely and complete reconciliations increases the risk that material differences in external reports and in the general ledger may not be detected and corrected in a timely manner.

4. Lack of Segregation of Duties over Journal Entries

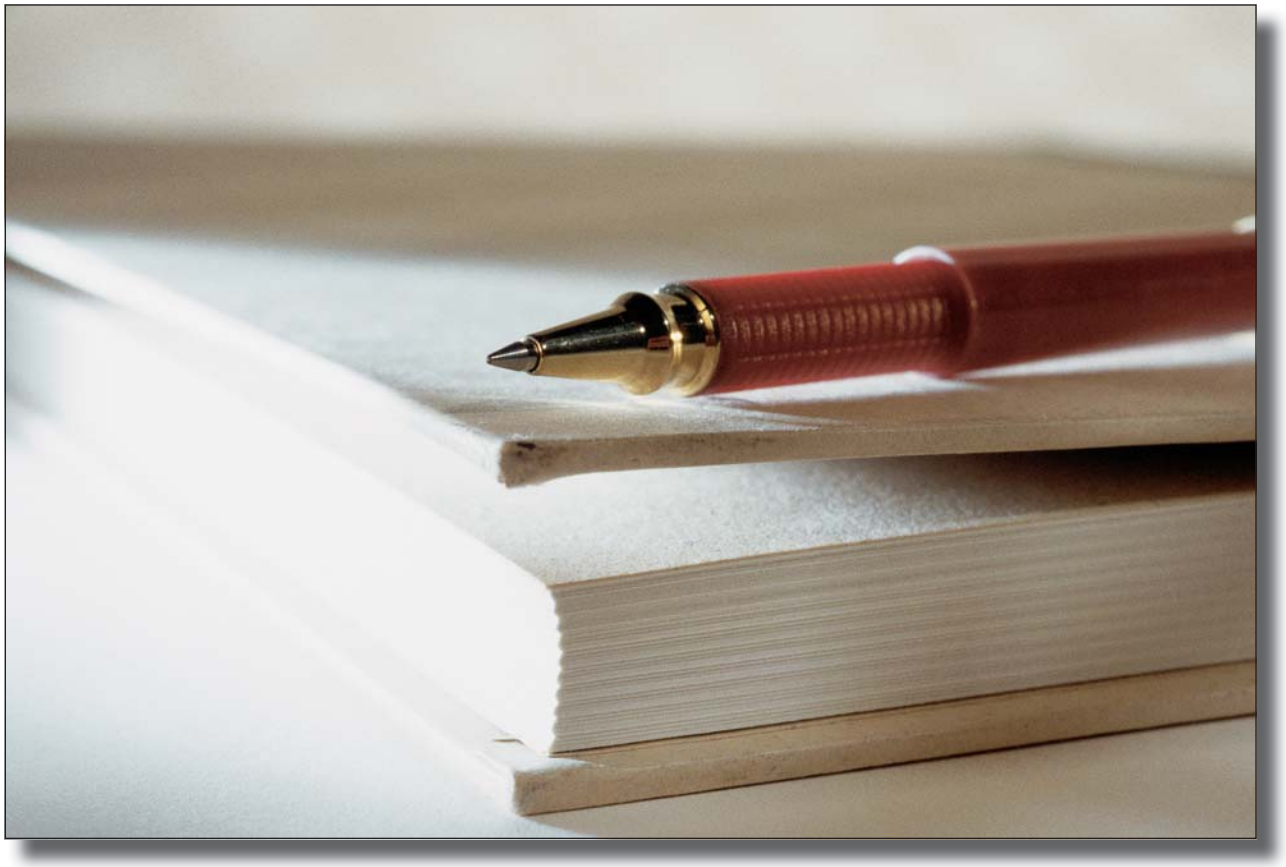
During the FY 2006 audit, we noted that accounting staff from all DOL agencies were able to prepare and enter journal entries into the Department of Labor Accounting Related Systems (DOLAR$) without approval. By allowing individuals the authority to prepare and approve their own transactions in DOLAR$, there is an increased risk that a material error would not be prevented, or detected and corrected, in a timely manner.

We recommended that management reconfigure DOLAR$ so that journal entries are required to be approved by an individual other than the preparer and that agencies implement manual reviews until system controls have been implemented. During the FY 2007 audit, we found that management had not made the recommended changes to DOLAR$.

"By allowing individuals the authority to prepare and approve their own transactions ... there is an increased risk that a material error would not be prevented, or detected ..."

During the second quarter of FY 2007, the OCFO had developed department-wide manual policies and procedures designed to ensure the segregation of journal entry preparation and approval authority.

However, our test of 21 sample journal entries from October 1, 2006, through June 30, 2007, noted that 16 of the journal entries did not have supporting documentation evidencing management review and approval.



LEGISLATIVE RECOMMENDATIONS

The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report concerning their impact on the economy and efficiency of the Department's programs and on the prevention of fraud and abuse.

Allow DOL Access to Wage Records

To reduce overpayments in employee benefit programs, including UI and FECA, the Department and the OIG need legislative authority to easily and expeditiously access state UI wage records, SSA wage records, and employment information from the National Directory of New Hires (NDNH), which is maintained by the Department of Health and Human Services. The DOL and the SSA currently have a memorandum of understanding (MOU) in place that allows State Workforce Agencies to access Social Security data on individuals who apply for UI. The MOU is a good first step.

In addition, a provision in the State Unemployment Tax Authority (SUTA) Dumping Prevention Act of 2004 (Public Law 108-295) enables state agencies responsible for the administration of unemployment compensa-tion programs to obtain access to the NDNH. By cross-matching UI claims against this new-hire data, states can better detect overpayments to UI claimants who have gone back to work but who continue to collect UI benefits. However, this law provides neither DOL nor the OIG with access to the NDNH. To make the new-hire data even more useful for this purpose, legislative action is needed requiring that employers report a new hire's first day of earnings and provide a clear, consistent, nationwide definition for this date. Moreover, access to SSA and UI data would allow the Department to measure the long-term impact of employment and training services on job retention and earnings. Outcome information of this type for program participants is otherwise difficult to obtain.

Amend Pension Protection Laws

Legislative changes to Employee Retirement Income Security Act (ERISA) and criminal penalties for ERISA violations would enhance the protection of assets in pension plans. To this end, the OIG recommends the following:

Expand the authority of EBSA to correct substandard benefit plan audits and ensure that auditors with poor records do not perform additional plan audits. Changes should include providing EBSA with greater enforcement authority over registration, suspension, and debarment and the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against auditors is important because benefit plan audits help protect participants and beneficiaries by ensuring the proper value of plan assets and computation of benefits.

Repeal ERISA's limited-scope audit exemption. This provision excludes pension plan assets invested in banks, savings and loans, insurance companies, and the like from audits of employee benefit plans. The limited scope prevents independent public accountants who are auditing pension plans from rendering an opinion on the plans' financial statements in accordance with professional auditing standards. These "no opinion" audits provide no substantive assurance of asset integrity to plan participants or to the Department.

Require direct reporting of ERISA violations to DOL. Under current law, a pension plan auditor who finds a potential ERISA violation is responsible for reporting it to the plan administrator, but not directly to DOL. To ensure that improprieties are addressed, we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. This would ensure the timely reporting of violations and would more actively involve accountants in safeguarding pension assets, providing a first line of defense against the abuse of workers' pension plans.

Strengthen criminal penalties in Title 18 of the U.S. Code. Three sections of Title 18 serve as the primary criminal enforcement tools for protecting pension plans covered by ERISA. Embezzlement or theft from employee pension and welfare plans is prohibited by Section 664, making false statements in documents required by ERISA is prohibited by Section 1027, and giving or accepting bribes related to the operation of ERISA-covered plans is outlawed by Section 1954. Sections 664 and 1027 subject violators to 5 years' imprisonment, while Section 1954 calls for up to 3 years' imprisonment. We believe that raising the maximum penalties to 10 years for all three violations would serve as a greater deterrent and would further protect employee pension plans.

Provide Authority to Ensure the Integrity of the Foreign Labor Certification Process

If DOL is to have a meaningful role in the H-1B specialty occupations foreign labor certification process, it must have the statutory authority to ensure the integrity of that process, including the ability to verify the accuracy of information provided on labor condition applications. Currently,

DOL is statutorily required to certify such applications unless it determines them to be "incomplete or obviously inaccurate."

Our concern with the Department's limited ability to ensure the integrity of the certification process is heightened by the results of OIG analysis and investigations that show the program is susceptible to significant fraud and abuse, particularly by employers and attorneys.

The OIG also recommends that ETA should seek the authority to bar employers and others who submit fraudulent applications to the foreign labor certification program.

The OIG recommends that DOL consider, in conjunction with USCIS, a legislative proposal that would require foreign nationals to have their eligibility determined by USCIS before the employer's labor certification application is reviewed by DOL.

Enhance the WIA Program Through Reauthorization

The reauthorization of the WIA provides an opportunity to revise WIA programs to better achieve their goals. Based on our audit work, the OIG recommends the following:

Improve state and local reporting of WIA obligations. A disagreement between ETA and the states about the level of funds available to states drew attention to the way WIA obligations and expenditures are reported. The OIG's prior work in nine states and Puerto Rico showed that obligations provide a more useful measure for assessing states' WIA funding status if obligations accurately reflect legally committed funds and are consistently reported.

Modify WIA to encourage the participation of training providers. WIA participants use individual training accounts to obtain services from approved eligible training providers. However, performance reporting and eligibility requirements for training providers have made some potential providers unwilling to serve WIA participants.

Support amendments to resolve uncertainty about the release of WIA participants' personally identifying information for WIA reporting purposes. Some training providers are hesitant to disclose participant data to states for fear of violating the Family Education Rights and Privacy Act.

Strengthen incumbent worker guidance to states. Currently no Federal criteria define how long an employer must be in business or an employee must be employed to qualify as an incumbent worker, and no Federal definition of eligible individual exists for incumbent worker training. Consequently, a state could decide that any employer or employee can qualify for a WIA-funded incumbent worker program.

Improve the Integrity of the FECA Program

The OIG continues to support reforms to improve the integrity of the FECA program. Implementing the following changes would result in significant savings for the Federal government:

Move claimants into a form of retirement after a certain age if they are still injured.

Return a 3-day waiting period to the beginning of the 45-day continuation-of-pay process to require employees to use accrued sick leave or leave without pay before their benefits begin.

Grant authority to DOL to directly and routinely access Social Security wage records in order to identify claimants defrauding the program.

REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT OF 1978

FUNDS PUT TO BETTER USE AGREED TO BY DOL		
	Number of Reports	Dollar Value ($ millions)
For which no management decision had been made as of commencement of reporting period	2	1.2
Issued during the reporting period	0	0
Total	**2**	**1.2**

FUNDS PUT TO BETTER USE IMPLEMENTED BY DOL		
	Number of Reports	Dollar Value ($ millions)
For which final action had not been taken as of commencement of reporting period	5	438.5
For which management or appeal decisions were made during reporting period	0	0
Total	**5**	**438.5**

QUESTIONED COSTS		
	Number of Reports	Questioned Costs ($ millions)
For which no management decision had been made as of commencement of the reporting period (as adjusted)	29	47.4
Issued during the reporting period	12	134.0
Total	**41**	**181.4**
For which a management decision was made during the reporting period:		
Dollar value of disallowed costs		6.6
Dollar value of costs not disallowed		15.8
For which no management decision had been made as of end of reporting period	23	159.0

DISALLOWED COSTS		
	Number of Reports	Disallowed Costs ($ millions)
For which final action had not been taken as of commencement of reporting period (as adjusted)[1]	86	35.1
For which management or appeal decisions were made during reporting period	14	6.9
Total	**100**	**42.0**
For which final action was taken during reporting period:		
Dollar value of disallowed costs that were recovered		18.2
Dollar value of disallowed costs that were written off by management		0.5
Dollar value of disallowed costs that entered appeal status		0.3
For which no final action had been taken by the end of reporting period	71	23.0

[1] These figures are provided by DOL agencies and are unaudited. Do not include $2.8 million of disallowed costs that are under appeal. Partial recovery/write-offs are reported in the period in which they occur. Therefore, many audit reports will remain open awaiting final recoveries/write-offs to be recorded.

FINAL AUDIT AND ATTESTATION REPORTS ISSUED

Program Name Name of Report	# of Nonmonetary Recommendations	Questioned Costs ($)	Other Monetary Impact ($)
Employment and Training Programs			
Job Corps Program			
Performance Audit of Schenck Job Corps Center; Report No. 26-08-002-01-370; 03/21/08	13	171,719	0
Complaint Involving the Tulsa Job Corps Center; Report No. 26-08-003-01-370; 03/13/08	3	0	0
Older Workers Program			
Single Audit: Quality Career Services; Report No. 24-08-503-03-360; 03/20/08	1	0	0
Workforce Investment Act			
Single Audit: State of New York; Report No. 24-08-504-03-390; 03/25/08	1	2,945,825	0
Single Audit: Institute for GIS Studies Inc.; Report No. 24-08-505-03-390; 03/20/08	4	0	0
Single Audit: The Church United for Community Development; Report No. 24-08-500-03-390; 03/07/08	3	0	0
Single Audit: Operation Hope Inc.; Report No. 24-08-501-03-390; 03/07/08	1	0	0
Single Audit: South Florida Workforce; Report No. 24-08-502-03-390; 03/07/08	2	0	0
Consortium for Worker Education Earmark Grant; Report. No. 02-08-203-03-390; 02/29/08	3	11,264,554	0
Single Audit: The Community Transportation Development Center; Report No. 21-08-519-03-390; 01/17/08	1	0	0
Single Audit: AFL-CIO Working for America Institute Inc.; Report No. 21-08-516-03-390; 01/10/08	4	0	0
Single Audit: The Navajo Nation; Report No. 21-08-513-03-390; 01/10/08	3	0	0
Single Audit: Metro United Methodist Urban Ministry; Report No. 21-08-508-03-390; 11/14/07	1	0	0
Single Audit: Oregon Manufacturing Extension Partnership; Report No. 21-08-509-03-390; 11/14/07	10	0	0
High Growth Job Training Initiative: Decisions for Non-Competitive Awards Not Adequately Justified; Report No. 02-08-201-03-390; 11/02/07	7	0	34,000,000
Single Audit: Futures through Training Inc.; Report. No. 21-08-507-03-390; 11/01/07	1	0	0
Single Audit: Government of Guam; Report No. 21-08-501-03-390; 10/02/07	8	26,988	0
Bureau of Labor Statistics			
Single Audit: Michigan Department of Labor and Economic Growth; Report No. 21-08-502-11-111; 10/16/07	1	1,109,350	0
Goal Totals (18 Reports):	**67**	**15,518,436**	**34,000,000**
Worker Benefit Programs			
Longshore and Harbor Workers' Compensation			
Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Independent Auditors' Report; Report No. 22-08-004-04-432; 03/31/08	1	0	0
District of Columbia Workmen's Compensation Act Special Fund Financial Statements and Independent Auditors' Report; Report No. 22-08-005-04-432; 03/31/08	2	0	0
Federal Employees' Compensation Act			
Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund; Report No. 22-08-001-04-431; 10/25/07	0	0	0
Goal Totals (3 Reports):	**3**	**0**	**0**

Program Name Name of Report	# of Nonmonetary Recommendations	Questioned Costs ($)	Other Monetary Impact ($)
Worker Safety, Health, and Workplace Rights			
Mine Safety and Health			
MSHA Could Not Show It Made the Right Decision in Approving the Roof Control Plan at Crandall Canyon Mine; Report No. 05-08-003-06-001; 03/31/08	9	0	0
Underground Coal Mine Inspection Mandate Not Fulfilled Due to Resource Limitations and Lack of Management Emphasis; Report No. 05-08-001-06-001; 11/16/07	7	0	0
MSHA's Process for Determining Chargeability of Reported Fatalities Would Benefit from Additional Controls; Report No. 05-08-002-06-001; 11/14/07	7	0	0
Occupational Safety and Health			
Single Audit: Michigan Department of Labor and Economic Growth; Report No. 21-08-503-10-001; 10/16/07	1	52,061	0
Wage and Hour			
Audit of Wage and Hour New Orleans District Office's Processing of Workers' Complaints Received in the Aftermath of Hurricane Katrina; Report No. 04-08-002-04-420; 03/31/08	3	0	0
Goal Totals (5 reports)	**27**	**52,061**	**0**
Departmental Management			
ETA Management			
Single Audit: Government of the District of Columbia; Report No. 21-08-514-03-001; 01/10/08	6	184,655	0
Single Audit: Oglala Sioux Tribe; Report No. 21-07-515-03-001; 12/10/07	13	5,538,114	0
Single Audit: State of Louisiana; Report No. 21-08-511-03-001; 12/06/07	14	110,256,959	0
Single Audit: State of New Mexico Department of Labor; Report No. 21-08-510-03-001; 11/21/07	25	0	0
Single Audit: Commonwealth of Pennsylvania; Report No. 21-08-512-03-001; 11/21/07	9	1,023,738	0
Single Audit: State of Ohio; Report No. 21-08-506-03-001; 10/22/07	44	477,208	0
Single Audit: State of Illinois; Report No. 21-08-505-03-001; 10/16/07	17	882,118	0
Single Audit: Black Hills Special Services Corporation; Report No. 21-08-504-03-001; 10/12/07	14	0	0
Office of the Assistant Secretary for Administration and Management			
Results from the Audit of General, Application, and Security Controls for Selected DOL Information Technology Systems that Support the FY 2007 Financial Statements; Report No. 22-08-007-07-001; 03/31/08	98	0	0
Office of the Chief Financial Officer			
Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2007; Report No. 22-08-006-13-001; 03/20/08	17	0	0
Independent Auditors' Report on the Department of Labor's Fiscal Year 2007 Financial Statements; Report No. 22-08-002-13-001; 11/13/07	3	0	0
Goal Totals (11 Reports)	**260**	**118,362,792**	**0**
Final Audit and Attestation Report Totals (37 Reports)	**357**	**133,933,289**	**34,000,000**

NOTE: All single audit reports shown in the above schedule represent audits of states, local governments, and nonprofit organizations conducted, in accordance with generally accepted government auditing standards, by independent public accounting firms and/or state and local government auditors under the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. Upon receipt of the single audit report, OIG reviews the report to identify findings and recommendations directed at DOL programs. OIG then issues a report to the funding agency that summarizes the DOL findings and recommendations and requests that the funding agency take resolution action on the recommendations within six months of the date of the OIG report.

OTHER REPORTS ISSUED

Program Name Name of Report	# of Nonmonetary Recommendations	Questioned Costs ($)	Other Monetary Impact ($)
Worker Benefit Programs			
Unemployment Insurance Program			
Status of Recommendations—State of California Workforce Agency Unemployment Insurance Tax and Benefit System Security Audit; Report No. 23-08-001-03-315; 03/17/08	0	0	0
Goal Totals	**0**	**0**	**0**
Departmental Management			
Multiagency Programs			
Significant DOL Unimplemented Recommendations (Congressional Request); Report. No. 25-08-001-50-598; 01/31/08	0	0	0
Goal Totals	**0**	**0**	**0**
Other Report Totals (2 reports)	**0**	**0**	**0**

UNRESOLVED AUDIT REPORTS OVER SIX MONTHS OLD

Agency/ Program	Name of Audit	# of Recommendations	Questioned Costs ($)
Nonmonetary Recommendations and Questioned Costs OIG Conducting Follow-up Work During FY 2008 Financial Statement Audits			
CFO/Admin	FY 1997 Consolidated Financial Statements; Report. No. 12-98-002-13-00; 02/27/98	1	0
Final Management Decision Issued by Agency Did Not Resolve; OIG Negotiating with Program Agency			
ETA/TAA	Performance Audit of Health Coverage Tax Credit (HCTC) Bridge and Gap Programs; Report No. 02-05-204-03-330; 09/30/05	2	0
OASAM/DIRM	Award and Management of Contracts for Encryption Software Were Significantly Flawed; Report No. 05-05-005-07-720; 03/31/05	1	0
MSHA/Admin	MSHA Procurements Showed a Pattern of Disregard for Federal and Department of Labor Acquisition Rules and Requirements; Report No. 25-05-001-06-00; 10/29/04	1	0
MSHA/Admin	Coal Mine Hazardous Condition Complaint Process Should Be Strengthened; Report No. 05-06-006-06-00; 09/29/06	2	0
MSHA/Admin	Coal Mine Safety and Health Accountability Program; Report No. 05-06-007-06-00; 09/29/06	1	0
MSHA/Admin	MSHA's Office of Coal Mine Safety and Health Needs to Strengthen Its Accountability Program; Report No. 05-07-002-06-001; 08/24/07	2	0
OSEC/JCC	Audit of Cincinnati Job Corps Center's Student Leave and Unexcused Absences; Report No. 03-07-003-01-370; 03/30/07	3	208,121
OSEC/JCC	Performance Audit of Oconaluftee Job Corps Center; Report No. 26-07-001-01-370; 03/30/07	7	124,608
Issues Being Elevated to Department's Audit Resolution Official			
ETA/WIA	St. Charles Department of Workforce Development; Report No. 05-06-001-03-390; 09/28/06	3	2,217,349
Final Management Decision Not Yet Issued; Agency Awaiting Response from Internal Revenue Service			
EBSA	Improved Oversight of Cash Balance Plan Lump Sum Distributions Is Needed; Report No. 09-02-001-12-12; 03/29/02	2	0
Final Management Decision Not Issued; Agency Awaiting Response from Office of Management and Budget			
MSHA/Admin	MSHA Needs to Improve Controls over Performance Data; Report No. 22-07-008-06-001; 12/26/06	2	0
Final Management Decision Not Issued by Agency by Close of Period			
VETS/Admin	Single Audit: State of Florida; Report No. 21-05-523-02-001; 03/24/05	2	245,226
VETS/Admin	Single Audit: State of Florida; Report No. 21-07-533-02-001; 03/24/05	2	4,605
OSEC/JCC	Single Audit: Future Entrepreneurs and Workers; Report No. 21-07-501-01-370; 11/15/06	1	13,287
OSEC/JCC	Cleveland Job Corps Center; Report No. 26-07-003-01-370; 09/28/07	5	344,175
ETA/WIA	Questionable Eligibility of College Students in Mississippi's National Emergency Grant Training Program; Report. No. 04-06-008-03-390; 09/28/06	3	0

Agency/ Program	Name of Audit	# of Recommendations	Questioned Costs ($)
Agency Has Requested Additional Time to Resolve			
ETA/JTPA	Florida Performance-Based Incentive Program; Report No. 04-07-009-03-340; 09/28/07	1	6,176,454
ETA/WIA	Audit of San Diego Workforce Partnership Inc.; Report No. 09-07-001-03-390; 02/14/07	17	14,192,002
ETA/WIA	Single Audit: San Diego Workforce Partnership; Report. No. 21-07-522-03-390; 03/14/07	6	0
Pending Appeal Decision			
OSEC/JCC	Single Audit: YWCA of Greater Los Angeles; Report No. 21-06-543-01-370; 08/16/06	12	0
ETA/WIA	Westchester-Putnam County Consortium for Workers Education and Training Inc. Earmark Grant; Report. No. 02-06-204-03-390; 09/29/06	2	0
	Total Nonmonetary Recommendations, Questioned Costs	**78**	**23,525,827**
Cost Efficiencies			
OSEC/JCC	Performance Audit of Oconaluftee Job Corps Center; Report No. 26-07-001-01-370; 03/30/07	1	190,367
ETA/WIA	Audit of San Diego Workforce Partnership Inc.; Report No. 09-07-001-03-390; 02/14/07	1	961,490
Total Cost Efficiencies		**2**	**1,151,857**
Total Audit Exceptions and Cost Efficiencies		**80**	**24,677,684**

INVESTIGATIVE STATISTICS

	Division Totals	Totals
Cases Opened:		222
Program Fraud	162	
Labor Racketeering	60	
Cases Closed:		224
Program Fraud	189	
Labor Racketeering	35	
Cases Referred for Prosecution:		147
Program Fraud	112	
Labor Racketeering	35	
Cases Referred for Administrative/Civil Action:		94
Program Fraud	71	
Labor Racketeering	23	
Indictments:		406
Program Fraud	279	
Labor Racketeering	127	
Convictions:		253
Program Fraud	182	
Labor Racketeering	71	
Debarments:		13
Program Fraud	5	
Labor Racketeering	8	
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		$31,627,614
Program Fraud	$18,405,698	
Labor Racketeering	$13,221,916	

Recoveries: The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OIG investigations	$3,480,184
Cost-Efficiencies: The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently	$3,931,416
Restitutions: The dollar amount/value of restitutions resulting from OIG criminal investigations	$20,111,535
Fines/Penalties: The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations	$2,220,238
Civil Monetary Actions: The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations	$1,884,241
Total	**$31,627,614**

OIG HOTLINE

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of laws, rules, and regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During the reporting period October 1, 2007, through March 31, 2008, the OIG Hotline received a total of 1,901 contacts. Of these, 1,849 were referred for further review and/or action.

Complaints received (by method reported):	
Telephone	1,600
E-mail/Internet	146
Mail	102
Fax	53
Total	**1,901**
Contacts Received (by source):	
Complaints from Individuals or Nongovernmental Organizations	1,857
Complaints/Inquires from Congress	10
Referrals from GAO	8
Complaints from Other DOL Agencies	11
Incident Reports from DOL Agencies and Grantees	2
Referrals from OIG Components	5
Complaints from Other (non-DOL) Government Agencies	8
Total	**1,901**
Disposition of Complaints:	
Referred to OIG Components for Further Review and/or Action	70
Referred to DOL Program Management for Further Review and/or Action	1,183
Referred to Non-DOL Agencies/Organizations	596
No Referral Required/Informational Contact	52
Total	**1,901**

United States Department of Labor
Office of Inspector General

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The OIG Hotline is open to the public and to Federal employees 24 hours a day, 7 days a week to receive allegations of fraud, waste, and abuse.